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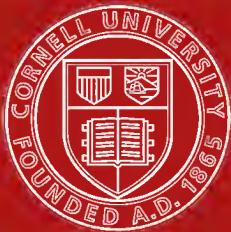
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Farm-machinery trade associations. March



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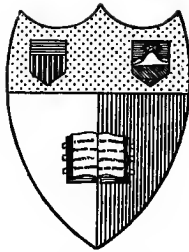
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DEPARTMENT OF COMMERCE  
BUREAU OF CORPORATIONS

JOSEPH E. DAVIES, Commissioner

MACHINERY TRADE  
ASSOCIATIONS

MARCH 15, 1915



REPORT OF THE COMMISSIONER OF CORPORATIONS ON FARM  
MACHINERY TRADE ASSOCIATIONS.

ERRATUM.

Page 121, line 21: Strike out "which Norton might thereafter acquire down to the end of the", and substitute "between the Indiana and the Case companies to run to the end of the".

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1915

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## LETTERS OF TRANSMITTAL.

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DEPARTMENT OF COMMERCE,  
OFFICE OF THE SECRETARY,

*Washington, March 15, 1915.*

SIR: I transmit herewith a report of the Commissioner of Corporations on Farm-Machinery Trade Associations. This report deals with the activities of associations of implement and vehicle manufacturers and dealers.

Very respectfully,

WILLIAM C. REDFIELD,  
*Secretary.*

The PRESIDENT.

---

DEPARTMENT OF COMMERCE,  
BUREAU OF CORPORATIONS,

*Washington, March 15, 1915.*

SIR: I have the honor to transmit herewith a report on Farm-Machinery Trade Associations, made to the President under your direction and in accordance with the law creating the Bureau of Corporations. This report deals with the activities of associations of implement and vehicle manufacturers and dealers.

I desire to mention as especially contributing under my direction to the preparation of this report Messrs. Harry C. McCarty and Worthy P. Sterns, of this Bureau.

Very respectfully,

JOSEPH E. DAVIES,  
*Commissioner of Corporations.*

To Hon. WILLIAM C. REDFIELD,  
*Secretary of Commerce.*



## LETTER OF SUBMITTAL.

---

DEPARTMENT OF COMMERCE,  
BUREAU OF CORPORATIONS,  
*Washington, March 15, 1915.*

SIR: I have the honor to submit herewith a report on the principal associations in the farm-machinery trade.

### AN ORGANIZED INDUSTRY.

Almost every important manufacturer in the farm-machinery industry is a member of the National Implement & Vehicle Association. The dealers in farm machinery have organized the National Federation of Implement & Vehicle Dealers' Associations, which is composed of numerous State and interstate associations. These two organizations are national in scope and work in close cooperation.

### EFFORTS OF MANUFACTURERS' ASSOCIATIONS TO FIX WHOLESALE PRICES.

In the earlier days the various associations of manufacturers of farm machinery, implements and vehicles, had agreements as to uniform prices. Such agreements were difficult to maintain on account of wide variations in the construction and cost of machines of different manufacturers.

Later, the National Wagon Manufacturers' Association from time to time adopted recommendations that each member should advance prices by the same per cent. Active efforts were made to secure compliance with these recommendations. Prices for certain parts of farm wagons, approved by the association, were also recommended to members for adoption.

The organized plow manufacturers use standard classifications, standard equipment for various implements, and uniform list prices on some of their products, with differentials for specified variations from the standard adopted. These prices are subject to such discount as individual members may desire to give. Advances in list prices have apparently been used as a means of advancing net prices.

The National Association of Thresher Manufacturers has at various times approved lists of net "amounts," or prices below which it was claimed members could not sell except at a loss. In 1909,

some members who were reported to have engaged in price cutting were asked to reconsider their prices.

Both the wagon and plow associations also attempted to secure greater uniformity in construction in order to facilitate price agreements.

#### UNIFORMITY OF COST ACCOUNTS AS A MEANS OF PRICE CONTROL.

The fear of prosecution under the antitrust laws, as well as practical difficulties in making direct price agreements, led to other methods of influencing prices.

Cooperation in efforts to maintain prices made it apparent that this object could be more easily attained if each manufacturer made full allowance for every element of cost as a basis for determining profitable prices. For this purpose uniform cost-accounting systems were devised in order that prices based on costs so computed would be sure to afford a profit. Costs were made to include not only every item of actual expense and depreciation, but also provision for interest on investment. This plan was adopted by the wagon and the plow associations and later by the National Implement & Vehicle Association, in which they were merged.

Exchange of information regarding the costs computed in this manner and the prices actually received, affords a means for determining prices profitable to all. If the individual members fix their prices accordingly, substantial uniformity in prices may be established as effectively as by an express price agreement.

#### EFFORTS TO REDUCE COSTS OF MANUFACTURE AND DISTRIBUTION.

These manufacturers' associations have also attempted to increase profits by reducing costs. These efforts have been mainly in standardizing specifications for materials and construction, in securing lower freight rates, in procuring insurance at reduced cost, in limiting credit risks, and in eliminating various items of selling expense.

Some of the suggestions made for reducing the cost of selling goods are significant, especially the elimination of canvassers, commission contracts, and the sale of goods on exceptionally long terms.

#### EFFORTS TO SECURE FAVORABLE LEGISLATION.

Among the matters of legislation to which the manufacturers' associations have given special attention are: Taxation of corporations, industrial indemnity, manufacture of implements and twine at State penal institutions, the tariff, and patents.

Efforts of manufacturers' and dealers' associations to influence legislation, both State and national, have taken various forms. Members have been urged to write or telegraph to legislators at a given



time; delegates have presented the views of the associations before legislative committees, and these associations have cooperated with organizations in other branches of industry when legislation affecting their common interests was under consideration.

The National Federation of Implement & Vehicle Dealers' Associations is affiliated with the National Federation of Retail Merchants, and various manufacturers belonging to the National Implement & Vehicle Association are also members of the National Association of Manufacturers. These affiliations afford a means of cooperation with other trade associations in expression of views regarding proposed legislation.

#### EFFECT OF CONCENTRATED CONTROL OF PATENTS ON PRICE OF WIND STACKERS.

The wind-stacker attachment for threshing machines is sold at a uniform price; this is accomplished through a system of uniform patent-license contracts. The principal wind-stacker patents are owned or controlled by the Indiana Manufacturing Co., and most of the stock of this concern is owned by the managing directors of one of the chief threshing-machine manufacturing companies. Manufacturers using these patents must pay a fixed royalty on each wind stacker made, and agree to maintain a uniform selling price.

The particular facts with respect to this situation raise several questions of public concern, namely, whether the Indiana Manufacturing Co.'s control of wind-stacker patents transcends the monopoly contemplated by the patent laws; whether the method by which various patentees are induced to pool their patents is obnoxious to the antitrust laws; whether the control of the said company by the managing directors of one of the licensees is compatible with public policy; and whether the said company may, in its license contracts, lawfully fix the selling prices of wind stackers made under its patents.

#### THE CONTROL OF RETAIL PRICES.

The prevention of price cutting among retailers and the raising of retail prices have been a matter of great concern to the implement and vehicle trade.

The associations of dealers have sought from the beginning to discourage the practice of price cutting, and certain small associations in some instances have attempted to fix the prices at which their members should sell. Later, the principal associations gave considerable attention to the possibility of securing greater harmony among competing dealers by the organization of local clubs. At the meetings of these local clubs the question of prices was often discussed.

Some implement manufacturers have sought the solution of this problem by fixing retail prices in their agency contracts with dealers,

a practice which has been expressly favored by some dealers' associations.

In 1909 a movement was inaugurated by the organized manufacturers to secure the cooperation of all classes of the trade in aiding retailers to secure higher prices, by educating them to the necessity of computing all items of expense in fixing their prices. Cost suggestions enumerating such items were prepared by the manufacturers and given wide circulation among the dealers. The fact that the dealers were urged to include in their costs allowances for interest on investment, rent of buildings owned and used, and salary for the owner of the business, clearly shows that these cost suggestions were intended as a method of establishing a basis at which dealers could sell at a profit.

The success of this plan, however, requires that it be followed by all dealers in the same locality. The organized manufacturers and dealers therefore undertook a campaign to promote local clubs which should include all dealers in each locality. The local clubs were urged to adopt these cost suggestions but to avoid price agreements.

The manufacturers' association has suggested that each local club should ascertain the average percentage of selling cost to sales for all of its members. The use of this average cost by each member in fixing his own prices at once suggests itself.

Such a practice would tend to raise the general level of retail prices, and would militate against the independent action of dealers in the same locality in making prices.

#### OPPOSITION OF DEALERS TO DIRECT SALES AND SALES THROUGH IRREGULAR DEALERS.

The fundamental idea of the federated associations of implement and vehicle dealers is that "to the retail dealer belongs the retail trade." They insist, especially, that it is wrong for any manufacturer who sells through regular dealers also to use any other method of distribution which threatens to impair the trade of the dealers. Hence, they offer vigorous opposition to direct sales to farmers, to sales made through irregular dealers, and to sales through mail-order houses.

The opposition to these forms of distribution is based on the claim that sales so made are made at prices which are demoralizing to the trade of the regular dealer, who is obliged to maintain a store with a stock of goods sufficient to meet the demands of the locality. The dealers' associations contend further that the plan of selling through a regular dealer is more economical for the manufacturer than any other plan of distribution, and that the dealer renders better service to the farmer.

This claim of the dealers to the retail trade has been indorsed by the National Implement & Vehicle Association. The latter, and also various jobbers' organizations, have cooperated with the dealers in enforcing this claim. The dealers' associations have facilitated such cooperation in various ways, including the publication of directories containing the names of regular dealers.

#### METHODS OF ENFORCING DEALERS' CLAIM TO THE RETAIL TRADE.

The great problem of the dealers' associations has been to find some lawful means by which the members may be notified of the name of any manufacturer who declines to confine his trade to the regular dealer.

The adjustment of complaints against individual manufacturers who have made direct and irregular sales has been an important part of the work of the dealers' associations. When a complaint of this sort is filed with one of the associations, its secretary endeavors to arrange a settlement, sometimes by collecting a commission and securing a promise that such sales be discontinued. Most complaints are adjusted by the secretary. Complaints which can not be settled in this way are referred to a committee of the association before whom the manufacturer is sometimes invited to explain his position.

Members of some of the earlier dealers' associations agreed to withdraw their trade from manufacturers who refused to settle complaints to the satisfaction of the dealers, and until within the last few years the names of such manufacturers appear to have been freely discussed before the entire membership of the various dealers' associations.

An attempt in 1905 to install an information bureau to furnish dealers with the names of offending manufacturers and jobbers was not carried to completion owing to some doubt as to its legality. Members of the various associations have been notified, however, that upon request to the secretary of the association of which they are members they would be furnished with information as to the trade policy of any manufacturer.

Court decisions adverse to such activities of dealers' associations, and investigations by the Government, have caused the federated implement and vehicle dealers in recent years to be cautious in handling complaints. At present the federated dealers' associations appear to rely principally upon the National Implement & Vehicle Association and the various jobbers' clubs to persuade their members to confine their trade to the regular dealer. There are some manufacturers, however, who will not sell exclusively through regular dealers unless they are compelled to. The dealers desire, therefore, to create amongst such manufacturers a belief that the dealers will

withhold their patronage if they persist in ignoring the dealers' claims. As already noted, the National Federation of Implement & Vehicle Dealers' Associations is affiliated with the National Federation of Retail Merchants, and the latter organization has sought to secure legislation from Congress under which retail associations may legally furnish their members with information regarding manufacturers whose trade policy they object to.

While the organized dealers disclaim any intention of maintaining a black list or of instituting a boycott against anyone, it is clear that if they be permitted to disseminate information of this character, those loyal to the principles of their associations would refuse to continue business relations with offending manufacturers even in the absence of an express agreement to do so.

#### OPPOSITION TO MAIL-ORDER COMPETITION.

A determined fight has been made by the organized dealers against the competition of mail-order houses. They have not only tried to prevent manufacturers from supplying implements to such concerns, but also have conducted a campaign to prevent the establishment of a parcel post, on the theory that such facilities would benefit the mail-order houses. Since the establishment of the parcel post they have urged a revision of postal rates, with a view to increasing the charges on parcels. Their opposition to the mail-order houses has also been the reason for favoring a Federal law to compel all manufacturers to brand their names upon their products in order to identify manufacturers who sell to mail-order houses, and for favoring both State and national legislation to prevent misrepresentation in advertising because of the belief that such laws would compel a modification of claims made in mail-order advertisements. The organized manufacturers and dealers have also made earnest efforts to curtail the advertising facilities of mail-order houses by persuading manufacturers who sell through dealers not to advertise in farm papers which contain mail-order advertisements, or encourage buying from mail-order houses.

#### CONCLUSION.

In conclusion it may be observed that while a large part of the activities of the manufacturers' and dealers' associations in this branch of industry are proper for the protection of legitimate interests, yet there are others of doubtful legality which tend to limit the field of competition and to enhance prices.

Very respectfully,

The PRESIDENT.

JOSEPH E. DAVIES,  
*Commissioner of Corporations.*

# REPORT OF THE COMMISSIONER OF CORPORATIONS ON FARM-MACHINERY TRADE ASSOCIATIONS.

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## CHAPTER I.

### ORGANIZATION AND DEVELOPMENT OF ASSOCIATIONS.

#### Section 1. An organized industry.

Taken as a whole, the manufacture and sale of farm machinery, implements, and vehicles is one of the most important industries of the country. The aggregate investment of companies engaged therein amounts to over half a billion dollars. These goods are made in more than a thousand factories. The employees in these factories number more than 100,000, and probably nearly as many, in one capacity or another, are engaged in the wholesale and retail distribution of the product. Of these, over 40,000 are retail dealers. Retail sales of farm machinery, implements, and vehicles to the American farmer can not be closely determined, but they amount to several hundred million dollars annually. The utility of this equipment in increasing the country's agricultural output is incomparably greater.

While the total number of manufacturers engaged in this industry is large, the great bulk of the business is in the hands of a comparatively few companies. The assets of one of these companies amount to about 125 million dollars. The assets of three others amount to as much more. Over three-fourths of the 40,000 retail dealers sell implements made by the International Harvester Co. Several other manufacturers are represented by from 10 to 15 thousand dealers. Most dealers buy from a number of manufacturers, since no manufacturer can furnish all of the extraordinary variety of articles included in the equipment of the modern farm.

Probably over three-fourths of the capital invested in the manufacture of farm machinery, implements, and vehicles is represented in the membership of the National Implement & Vehicle Association. This membership includes practically all the leading manufacturers of such equipment.<sup>1</sup> The National Federation of Implement & Vehicle Dealers' Associations is not so representative. The membership of its constituent associations,<sup>2</sup> however, includes large

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<sup>1</sup> See Exhibit 5, p. 259.

<sup>2</sup> See Exhibit 26, p. 318.

numbers of the most influential dealers in those sections of the country where the implement trade is of great importance.

Practically all of the important farm-machinery trade associations in the United States cooperate with each other under the leadership of these two organizations. Harmonious cooperation between the manufacturers' associations and the dealers' organizations has always been a marked characteristic of their work.

**ORGANIZATION OF MANUFACTURERS.**—The National Implement & Vehicle Association was organized in January, 1911, as a consolidation of the National Association of Agricultural Implement & Vehicle Manufacturers, the National Wagon Manufacturers' Association, the National Plow Association, and the National Association of Grain Drill Manufacturers. The merger of these associations was largely due to the common interest of all branches of the industry in questions relating to raw materials, labor, transportation, legislation, retail distribution, etc., and to recognition that certain phases of these questions could be handled most effectively and most economically by a single association representing the entire industry.

The executive committee in general charge of the association's activities has large powers. The immediate supervision of the work is in the hands of the secretary and general manager, who devotes his entire time to it. Standing committees consider and report on the more important divisions of the work. The sales managers of various members are organized in a department to promote harmonious relations between the salesmen of the different manufacturers and to improve conditions in the retail trade. (See Exhibit 9.)

Special trade departments<sup>1</sup> of the association, which have their own officers, continue the work of the old wagon, plow, and grain drill associations<sup>2</sup> in matters of special interest to members in those lines. The most important matters to which these departments give attention relate to conditions arising from competition between members. The secretary and general manager of the association takes an active part in the affairs of these departments. The executive committee of the association also maintains some supervision over their activities.

The National Implement & Vehicle Association is incorporated under the laws of Illinois as an association not for profit. Its members are divided into three classes. Active members of the first class are manufacturers of agricultural implements, vehicles, and allied

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<sup>1</sup> The membership of these departments is shown in Exhibits 6, 7, and 8.

<sup>2</sup> Efforts to induce the National Association of Thresher Manufacturers to become part of the National Implement & Vehicle Association when that association was organized, in January, 1911, were unsuccessful. However, some of the principal thresher manufacturers belong to both associations, and the organization of a special thresher department in the National Implement & Vehicle Association has been considered. The organization of departments for carriage manufacturers and gas-engine manufacturers has also been proposed. Probably because of the existence of independent associations in these three branches, none of these departments has yet been organized.

lines. Active members of the second class are engaged in the wholesale distribution of these products, but not in their manufacture. Associate members are manufacturers of materials and supplies purchased by implement manufacturers. Receipts of the association in 1914, based in part on an estimate of the treasurer in October, amounted to about \$28,000, derived almost wholly from dues.<sup>1</sup> The regular income of the special trade departments is nominal; each member pays small annual dues.

Active members of the second class are entitled to all privileges of members of the first class except that they may not vote at elections or hold office. Associate members are entitled to all social privileges of the association, and to attend all general meetings except those of an executive character. They are not entitled to vote. They usually provide entertainment at the annual conventions of the active members.<sup>2</sup>

The annual meeting of the association is held in October of each year. At this meeting are read the reports of officers, the executive committee, and the standing committees, as well as a report of the attorneys of the association. These reports, which are submitted to the executive committee before being read, present a summary of the various phases of the association's activities during the preceding year, with recommendations for future work. This work is determined largely by resolutions incorporating the recommendations of the various committees. The various matters touched upon in the resolutions are referred to the secretary or proper committee for action, or for report to the executive committee.<sup>3</sup>

Meetings of the executive committee, the standing committees, and of the special trade departments are held from time to time during the year. Members are kept advised in regard to matters of current interest by means of bulletins and circular letters issued by the secretary and general manager at frequent intervals. Matters that are of common interest to members requiring legal advice are referred to the attorneys of the association.

**JOBBER'S CLUBS.**—Wholesalers, including representatives of the branch houses of the manufacturers and of other competing wholesale concerns at the different jobbing centers, have organized clubs, through which the members may cooperate in remedying unsatisfactory conditions of common interest. Some of these clubs have now had fairly successful careers covering over a quarter of a

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<sup>1</sup> The scale of dues paid by the different classes of members is shown in Exhibit 1.

<sup>2</sup> The "foreword" of a directory of the associate members, published by the association in 1913, contains the following: "This directory of our associate members and their wares also carries with it the suggestion that our active members give special consideration to these concerns in the making of contracts and the placing of orders."

<sup>3</sup> The resolutions adopted at the convention held in October, 1914, are shown elsewhere. (See Exhibit 32, p. 349.)

century. Jobbers' clubs of considerable importance have been organized in Kansas City, Omaha, Minneapolis, Baltimore, Des Moines, Peoria, St. Louis, Sioux Falls, and Dallas.

There is no national organization of the jobbers' clubs. This is probably due to the fact that the work of each club relates chiefly to conditions peculiar to its own market. Provision has been made, as already noted, to admit wholesalers to limited membership in the National Implement & Vehicle Association. Few have thus far become members.

**ORGANIZATION AMONG DEALERS.**—The National Federation of Implement & Vehicle Dealers' Associations is composed of delegates from State and interstate associations of dealers. The aggregate membership of these associations is claimed to exceed 5,000 dealers. They constitute probably about one-fourth of the retailers regularly engaged in the trade in the principal grain-raising States, where nearly all these associations are located, and in some of these States the proportion is larger. Besides the Federation and its constituent associations numerous local clubs have been organized, composed of dealers who are in competition with each other in the same locality. The constituent associations have for several years pushed the organization of these local clubs under the direction of the Federation. This work has been encouraged and given financial assistance by the National Implement & Vehicle Association.

The object of the Federation, as stated in its constitution, is "to supply its constituent associations and their members with any and all legal and proper information which may legitimately come into its possession and which may be of interest or value to the same."

The Federation enables its constituent associations to coordinate their activities along similar lines, such as collecting and disseminating information, promoting favorable legislation and opposing measures adverse to dealers, and encouraging the formation of local clubs of dealers for the general education of the trade in the cost of doing business as a means of preventing price cutting. It brings the combined influence of the constituent associations to bear on the settlement of differences between manufacturers and dealers in regard to trade policies and practices objected to by the dealers.<sup>1</sup>

Each constituent association of the Federation is entitled to representation at meetings of that organization on the basis of one delegate for each 100 members or fraction thereof exceeding 50. Its affairs are managed by an official board, consisting of the president, vice president, and secretary-treasurer, and six directors. The three officers first named constitute an executive committee authorized to perform the duties of the official board between meetings of the

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<sup>1</sup> Regarding the activities of dealers' organizations, see Exhibit 31, p. 337.



latter. It is the duty of the secretary to receive and file information transmitted to the Federation by and through its members. It is also his duty to issue to constituent associations and their members a bulletin quarterly or as often as the official board may decide. It has also been customary for the Federation to recommend topics to be discussed at conventions of the constituent associations. The Secretaries' Association of the National Federation, organized in October, 1913, took over certain detail work of the Federation, such as arranging programs for constituent associations.

State and interstate associations are organized under articles of association recommended by the Federation. Under these articles any dealer having a regular established place of business, carrying an assorted stock of implements, vehicles, or hardware, reasonably commensurate with the demands of his locality, is eligible to membership. The affairs of these associations are subject to the control of a board of directors. An executive committee composed of the president, vice president, and secretary-treasurer passes on questions of importance to the association between sessions of the board. Close relations exist between these associations and the jobbers' clubs.

A meeting of the members of each association is held annually, at which the reports of officers and committees are read and discussed. These reports, especially that of the secretary-treasurer, review the activities of the association for the preceding year and make recommendations for future work. These reports are usually referred to the committee on resolutions for use in framing resolutions defining the attitude of the members on matters affecting their trade.

The suppression of price cutting and the improvement of local trade conditions generally is the particular field of the local clubs. Their object, as stated in uniform articles of association recommended by the Federation, is "social enjoyment and entertainment, together with such benefits in a business way as will naturally be brought about by a feeling of fraternity and good fellowship among its membership."

These articles provide for the definition of the territory within which dealers are eligible for membership; the qualifications for membership are the same as for the State associations.

A dealer in applying for membership agrees to abide by all the rules and regulations which have been adopted for the government of the club, and also such rules and regulations as may subsequently be adopted. Provision is made for the expulsion of a member by a majority vote or for withdrawal on surrender of membership card. Any member going out of business is considered to have withdrawn.

The officers provided for consist of a president, vice president, and secretary-treasurer, who ex officio constitute an executive committee. Standing committees on entertainment, grievances, and credits and

collections are also maintained. The grievance committee is expected to investigate and adjust any difference arising between members of the club. It is the duty of the committee on credits and collections to devise and submit plans to promote the interests of members in respect to credit and collection matters.

## Section 2. The development of associations.

The farm-machinery trade reached the degree of organization described in the previous section only after some 30 years of association effort. A general account of conditions in the trade that gave rise to the association movement, of different organizations that have taken part in that movement, and of the nature of their early activities is necessary to a full appreciation of the work done in later years described in the succeeding chapters.

SYSTEM OF DISTRIBUTION.—As the implement industry developed and it became profitable to seek a wider market, many manufacturers found it desirable to form connections with jobbing houses at the wholesale centers. These jobbers, by buying from different manufacturers, obtained machines in demand throughout the year. They were thus able to employ their selling force more economically than the manufacturer whose output was small or in demand for only a few months in the year. Because of the large capital required, these jobbers did not often handle threshers and binders, which were sold by the manufacturers themselves through general agencies located at wholesale distributing centers.

The larger and more aggressive plow manufacturers, possibly because their products are in demand so large a part of the year, established branch houses at the most important wholesale centers. They also added other lines, until now most implements not sold by the binder and thresher companies are handled by branch houses of the tillage-implement manufacturers. Some of the branch houses were owned jointly by noncompeting interests—plow, wagon, and seeder manufacturers, for example. This plan did not prove satisfactory. Usually the plow interests took over the whole enterprise, sometimes continuing to job the products of their former partners. On the whole, manufacturers have secured a constantly increasing degree of control over the facilities of distributing their products.

As the demand for farm machinery increased, its retail sale became of sufficient importance to be recognized as a distinct vocation. In most small towns in agricultural districts, the sale of farm equipment and allied lines was a profitable business for at least one man. There were few towns where the business was large enough to support more than three dealers satisfactorily. Moreover, these dealers did not find it profitable to handle more than one or two makes of

any particular kind of machine. Under these conditions all the machines sold by the regular implement dealers in any one town were made by a relatively small number of manufacturers. When machines made by other manufacturers were sold, the sales were made directly to the farmer himself, or through some one not engaged in the implement business as a regular dealer.

In addition to the limited number of regular implement dealers in a given locality, the large amount of capital required to handle threshers, binders, and other expensive machinery has frequently made it difficult for manufacturers in these lines to find satisfactory local agents. Indeed, the thresher manufacturers have for years made a large proportion of their sales directly to the farmer or job thresherman, paying the local dealer a commission when he assists in making a sale. Local agents handle binders, but almost always on a commission contract, and are often assisted by the manufacturer's canvassers, experts, and collectors. Wagons, manure spreaders, and other somewhat expensive implements are sometimes sold on commission, but more often on such long time that the economic relations between the dealer and the manufacturer are practically the same. Furthermore, the sales contracts used by the big plow houses leave title in the seller until payment,<sup>1</sup> and often provide that credit on unsold goods shall extend into the next season.

Under the system of distribution in the farm-machinery trade outlined above, except where monopolistic conditions of manufacture appeared, the business was peculiarly open to severe competition in prices or terms. In other industries, where the entire output of a manufacturer is taken by the jobbing trade, the temptation to cut both wholesale and retail prices is probably less continuous and less urgent than for the implement manufacturer, whose salaried employees and agents are called on to make prices on thousands of individual sales throughout the season. So, also, there is no such inducement to make concessions in other industries in which the capital required in distribution is smaller and in which it is not necessary to employ so many trained and experienced men. Furthermore, in few trades of such importance are there so many retail dealers who enter the business without special training and who, at the close of each season, are so ready to close out their business and realize on their entire investment by a price-cutting campaign.

An important counteracting influence is found, however, in the fact that the goods are almost entirely articles having a brand name and established custom. In building up this custom the dealer plays an important part, and it is to his interest to keep the agency of the lines he has promoted and to prevent any excessive price cutting

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<sup>1</sup> The use of the so-called "title" clause in agency contracts with dealers is referred to elsewhere. (See p. 80.)

therein. In some lines of implements, moreover, the prestige, or the monopoly position of certain manufacturers, is so great that they can almost always obtain the best dealers and discontinue business with those who are less desirable. They are able not only to fix their wholesale prices but also to exert a strong influence on the retailer with respect to the prices at which the goods shall be sold to the farmer.

Both the competitive and the monopolistic factors in the industry have, in different ways, contributed to a certain instability in the business and have had an influence in inducing the formation of trade associations.

ASSOCIATIONS OF MANUFACTURERS.—The National Wagon Manufacturers' Association was the first trade organization of any considerable importance in the farm-machinery industry. Its records give an account of a meeting as early as December, 1879. There were a number of meetings in 1880, but disagreements in regard to price policy soon developed, and the records show only one meeting in the years 1881–1885. Several meetings were held in 1886 and 1887, this period of activity ending in an attempt to form a pool. Annual meetings were resumed in 1891 and have been held regularly since that year.

Manufacturers of threshing machinery met to discuss credits to purchasers in 1884 and 1885, and organized an association in 1888. Manufacturers of binders met at Chicago in September, 1885, and discussed the price situation. The attitude of a single company defeated all attempted agreements. A similar attempt failed in January, 1888, because one company objected to the arrangement for enforcing agreements. Efforts to cooperate for mutual advantage were also made by manufacturers of corn planters in 1887, pumps in 1888, hay presses in 1889, and binder twine in 1890. In July, 1899, a meeting of grain-drill manufacturers held in Chicago indorsed an advance of 15 per cent in wholesale prices. No association appears to have been formed until June, 1902, when representatives of a number of the factories met and organized the National Association of Grain Drill Manufacturers.

During the eighties several associations of plow manufacturers were organized. All were shortlived except the Northwestern Plow Association, which was organized in 1887. That association met occasionally during the nineties. In June, 1899, the name was changed to the Northwestern Plow & Implement Association, and manufacturers of corn planters, disc and lever harrows, and cultivators were invited to join. Failure of efforts to establish standard prices appears to have caused the members to lose interest in the association. It is claimed that few, if any, meetings were held after

1903 and that the association had virtually passed out of existence in 1907, when the National Plow Association was formed.

No organization of manufacturers to cover the whole implement field was attempted, apparently, until the early part of 1894, when the representatives of some 20 prominent concerns in various branches of the industry met at Chicago and organized the National Association of Agricultural Implement & Vehicle Manufacturers to attend to matters of common interest. Although the implement trade at that time was suffering from an overproduction of machines following a falling off in the demand on account of the crisis of 1893, no attempt appears to have been made to restrict the output of the different members nor to influence the prices and terms of their sales.

To reduce the expenses of membership in two or more organizations and to secure a greater degree of uniformity by vesting control of common interests in a single association, a consolidation of several of the principal associations was proposed in 1909. When this proposition was first made some opposition developed among members of the plow and wagon associations, who feared that if the plan should be carried out it would limit the effectiveness of their work. The plan of organizing special departments for the different branches of the trade appears to have met this objection, and the National Association of Agricultural Implement & Vehicle Manufacturers, the National Wagon Manufacturers' Association, the National Plow Association, and the National Association of Grain Drill Manufacturers were reorganized as the National Implement & Vehicle Association in January, 1911.

STATE AND INTERSTATE ASSOCIATIONS OF DEALERS.—During the eighties attempts were made here and there to organize the dealers for the improvement of conditions in the retail implement trade. The most ambitious of these was a convention of the "Retail Implement Dealers' Association of the West and Northwest," held in Chicago in September, 1885. This association failed to obtain desired cooperation from the binder manufacturers and apparently never held a second meeting. In the same way nothing further is heard of the Implement Dealers' Association of Northern Iowa, after a meeting at which its members assented to a schedule of retail prices prepared early in 1886.

Hardly three years later, however, an association was organized which, since 1888, has steadily promoted the interests of the retail implement trade. A meeting of a few dealers was held at Kansas City in the fall of 1888, and as a result, in February, 1889, the association of Kansas Retail Implement Dealers was organized. Two years later, having admitted members from other parts of the Kansas City jobbing territory, most of whom were located in Mis-

souri, its name was changed to "The Western Retail Implement Dealers' Association," and later the word "Vehicle" was added. Since January, 1914, it has been the Western Retail Implement, Vehicle & Hardware Association. In 1889 there were about 20 members; in the fall of 1913 about 1,600.

In other sections of the country the early efforts of the dealers to cooperate through associations were not so successful. For example, a dealers' association in the Red River Valley of Minnesota and North Dakota was reported to be making a success of cooperative buying in 1889, but nothing further is heard of it. The Northwest-ern Implement Dealers' Association was organized in St. Paul, Minn., in 1889, and in the early nineties State and interstate associations were organized in Illinois, Iowa, Ohio, Pennsylvania, New York, Michigan, Wisconsin, Nebraska, and Missouri. Some of these were very active for a time, but most of them accomplished very little.

Smaller associations continued to be organized—a district association in northeastern Nebraska in 1894; one in North Dakota and one in southeastern Nebraska in 1895; one in northern Iowa in 1897, and another in 1898; one in Montana in 1899; and one in southern Nebraska about 1900. Toward the end of the nineties it became clear that the Western association had demonstrated that there was a field of work in which State and interstate associations could be permanently successful. It is a matter of no surprise, therefore, that about that time the dealers organized or became more active in Ohio, Indiana, Illinois, Kentucky, Minnesota, Nebraska, Iowa, North Dakota, South Dakota, and Texas.

The most notable step in the organization of the retail trade was taken in 1900, when the National Federation of Implement & Vehicle Dealers' Associations was established. Delegates from the Western association, Illinois Retail Implement Dealers' Association, Iowa Implement & Vehicle Dealers' Association, the Nebraska & Western Iowa Implement Dealers' Association, and Retail Implement Dealers' Association of South Dakota, Southwestern Minnesota & Northwestern Iowa met in Chicago September 21, 1900, to form a central organization to represent the general interests of the various State and interstate associations. The estimated membership of the associations represented in 1901 was about 2,000 dealers.

In October, 1913, the Federation represented the 16 associations<sup>1</sup> given below:

Western Retail Implement & Vehicle Dealers' Association.  
Iowa Implement Dealers' Association.  
Tri-State Vehicle & Implement Dealers' Association.

<sup>1</sup> At the last annual convention, in October, 1914, representatives were present from two other associations, namely, the Pacific Northwest Hardware & Implement Association and the Montana Implement Dealers' Association.

Michigan Retail Implement & Vehicle Dealers' Association.  
 Minnesota Retail Implement Dealers' Association.  
 Texas Hardware & Implement Association.  
 Illinois Retail Implement Dealers' Association.  
 Wisconsin Retail Implement & Vehicle Dealers' Association.  
 Mid-West Retail Implement Dealers' Association.  
 Retail Implement Dealers' Association of South Dakota,  
 Southwestern Minnesota & Northwestern Iowa.  
 Colorado Retail Hardware & Implement Association.  
 The Mississippi Valley Implement & Vehicle Dealers' Association.  
 North Dakota & Northwestern Minnesota Implement Dealers' Association.  
 Virginia & North Carolina Retail Implement, Machinery & Vehicle Dealers' Association.  
 New York State Retail Implement & Vehicle Dealers' Association.  
 Pennsylvania & New Jersey Retail Implement & Vehicle Dealers' Association.

Their combined membership amounted to over 5,000 dealers.

**LOCAL CLUBS.**—Local clubs developed more slowly than the State and interstate associations. As early as 1896 the Western association recognized the importance of such organizations. Later, several State associations undertook to establish local clubs to deal with local competitive conditions, especially the matter of prices. In October, 1907, it was reported to the National Federation that the movement had not been as general as had been hoped for. In recent years, however, the development of the cost educational movement has been attended by a vigorous growth of local clubs. (See pp. 218-243.)

Recently a number of district associations have been formed as branches of State or interstate associations among dealers in southern Michigan, central Michigan, northwestern Ohio, and northern Illinois. They assist in the work of the larger associations, and also of the local clubs in the same territory.

### Section 3. Early activities of associations.

To enhance the profits of their members is the prime motive of trade associations. Fixing a satisfactory price seems an easy way to solve the problem. It is not surprising, therefore, that a proposed advance of 25 per cent in the wholesale price of farm wagons December 16, 1879,<sup>1</sup> is the first notable item found in implement-association records. In September, 1885, the Retail Implement Dealers' Association of the West & Northwest, just organized (see p. 9), asked the harvesting-

<sup>1</sup> On the above date the National Wagon Manufacturers' Association advanced the price of the standard farm wagon from \$52 to \$65. In February, 1880, there was another advance, but, on reports of retail sales at \$75 and of new manufacturers starting up, the price was reduced in May. Soon afterwards the leading concern asserted its intention to make its own prices.

machine manufacturers to fix the retail prices of binders, which were regarded as being abnormally low, and to make the dealers forfeit their commission on all sales, if they cut these prices. The binder manufacturers failed to grant the requests of the dealers. However, at that time and later the commission-agency contracts of some companies fixed the retail price which the dealer was supposed to maintain under the terms of his contract. In the same year the Northwestern Plow & Cultivator Association was said to have checked the alleged "ruinous" downward course of prices in their products.<sup>1</sup> In May, 1886, the Implement Dealers' Association of Northern Iowa agreed on a schedule of prices for various machines.

In 1886 and 1887 the members of the National Wagon Manufacturers' Association attempted to form a pool. Production in excess of an allotted proportion was to be penalized. In the fall of 1887 the Northwestern Plow Association was hoping to relieve the situation by cutting down the output of its members, and it was reported in October of that year that uniform prices at a slight advance had been established. Apparently, the association secured a temporary improvement in the situation, but in the fall of 1888 the failure of the association to "restore" prices was ascribed to the refusal of the smaller manufacturers to adhere to association prices and the consequent general violation of association rules.

Apparently, associations of implement manufacturers have never attempted to exclude competitors as a means of restricting competition in prices. As early as 1885, however, the regular retail implement dealer had become convinced that profits could be protected only by excluding irregular competition—that of the blacksmith, the general storekeeper, the grain-elevator man, and the farmer-agent. This is shown in one of the suggestions of the Retail Implement Dealers' Association of the West & Northwest to the binder manufacturers in that year, which reads as follows:

Do not sell or appoint as agent any person who is not a legitimate implement dealer.<sup>2</sup>

It does not appear, however, that anything was accomplished at that time.

Association efforts similar to those noted continued intermittently throughout the decade, but they did not prevent a large reduction in implement prices from 1880 to 1890. Lower prices were the result of cheaper raw materials, improved manufacturing processes, larger output by individual concerns, and energetic competition among manufacturers. Moreover, the machines were being improved from year to year. The following prices for machines at Fort Dodge,

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<sup>1</sup> Plow manufacturers in other sections of the country were working along the same lines.

<sup>2</sup> A limitation of the output was also urged.



Iowa, are believed to be representative of the decline referred to above: Binders sold for \$315 in 1880 and for \$130 in 1890; 14-inch walking plows for \$28 in 1880 and \$14 in 1890; standard farm wagons for \$85 in 1880 and \$50 in 1890. The decline in the average price of 10 implements in general use was over 50 per cent.

While efforts to raise prices were predominant in early association work, reductions of cost were by no means entirely neglected. An expense annoying to manufacturers has always been that resulting from the abuse of the manufacturer's warranty by customers. Modification of the wagon warranty was one of the topics discussed at the National Wagon Manufacturers' Association meeting in December, 1879. A conference of southern wagon manufacturers was called in April, 1888, to obtain, if possible, a reduction of the wagon warranty from 12 to 6 months. It was claimed in 1888 that the Northwestern Plow Association had reduced the selling costs of its members. An important topic in the discussions of the thresher manufacturers' association, organized in 1888, was methods of reducing losses on credits.

The organization of the Western Retail Implement, Vehicle & Hardware Association<sup>1</sup> in February, 1889, was in part for the purpose of bringing the combined influence of the members to bear on certain "methods adopted by the Kansas City Association of Implement Dealers<sup>2</sup> in loading goods." The association expressed its belief that these methods constituted "an attempt to force us to buy of certain manufacturers." Transportation questions early engaged the attention of the associations. In 1893, one of the associations cited the following cause of complaint: "The inequality of freight rates charged by railroad companies, and the very great reluctance manifested by said railroad companies in paying for goods damaged, broken or lost by the carelessness of their employees."

Proposed changes in the tariff and State legislation hostile to foreign corporations in Michigan appear to have been the immediate reasons for the organization of the National Association of Agricultural Implement & Vehicle Manufacturers, which occurred on April 18, 1894. In addition to questions of State and National legislation and litigation in matters of common interest to its members, the association at once turned its attention to transportation and credit problems. The scope of its activities increased, and that of its successor, the National Implement & Vehicle Association, now covers the field indicated by the list of its standing committees.<sup>3</sup>

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<sup>1</sup> Then the Association of Kansas Retail Implement Dealers.

<sup>2</sup> This association was composed of the wholesale dealers or jobbers at Kansas City.

<sup>3</sup> The list of standing committees in 1914 is as follows: Advisory committee (composed of former presidents); agricultural extension; attorneys and litigation; credits and collections; dealers' associations; foreign commerce and tariff; freight transportation; insurance; manufacturing costs; membership; National legislation; patents; State legislation; and workmen's accident compensation.

It is evident, therefore, that associations in the farm-machinery trade even in their early years appreciated the importance of reducing costs. They realized, however, that cost reduction was of no value without maintenance of prices. The course of prices has always been the matter of first concern with them. It is desirable, therefore, before attempting further consideration of their activities to review some of the characteristics of farm-machinery prices.

Variation in types of machines and their equipment as made by different manufacturers has always been a marked characteristic of the farm-machinery industry. This lack of a common type has rendered impossible any satisfactory statistical treatment or comparison of prices. Indeed, it has been impracticable to determine what should be accepted as standard types of wagons, plows, harrows, binders, etc., even for a single season. As will be shown later in Chapter II, the efforts of the wagon association and the plow association to secure standardization of the products of their members have been both energetic and persistent. Their purpose is evident. The desired harmony in prices could not be secured unless there was some way of determining the actual relation existing between the prices of different manufacturers.

The difficulties in the way of establishing a standard plow are strikingly illustrated by the fact that as late as 1910 an official of a leading plow concern estimated that it was making 2,000 different styles of plow bottoms. Differences in equipment interfere with standardization quite as often as difference in design. For example, in 1907 the secretary of the National Plow Association was endeavoring to ascertain from the members which of nine different articles they included in the regular equipment of their gang plows. The great variation possible in the equipment of farm wagons is illustrated by the list of extra parts shown in Exhibit 13, page 266.

Differences in design and equipment are baffling, but added to these are the frequent changes in materials; iron or steel have been substituted for wood, canvas for leather, pressed steel for malleable iron, etc.

Another marked characteristic of the business has been the manufacturer's discrimination in prices to different customers and in different localities. Discrimination almost invariably creeps in even under circumstances most favorable for maintaining uniform prices to different customers. It may appear in the price itself, in changed discounts, in special service—canvassing, expediting, advertising, etc.—in freight allowances, in extra parts, or in extra equipment. The methods are too numerous to mention and are often carefully concealed.

Variations in prices on the same article in a single season are doubtless due partly to the uncertainty of the manufacturer or dealer

in regard to what competitors are doing and partly to the fact that machines left on hand at the end of one season may depreciate in value before the opening of the next. This price variation may be illustrated by the retail prices of farm wagons for one season. The Bureau found retail prices for  $3\frac{1}{4}$ -inch skein standard wagons in 1911, running from \$60 to \$100. The prices of one that had a very large sale ranged from \$65 to \$90, while another leading make sold in one State as low as \$62 and in an adjoining State as high as \$85. These figures might easily convince an association price committee that prices had not been satisfactorily maintained.

Such conditions, also, make it difficult to determine the general price level for a given season. Although satisfactory statistical treatment is, therefore, impracticable, some facts in regard to implement prices are clearly established. The very great decline in prices from 1880 to 1890 has already been noted, although the exact extent is difficult to determine. Old machines, old horses, and old cows were often taken in trade at fictitious values. During this period the 6-foot binder was sold to farmers as low as \$65 in some instances, and at least as late as 1888 as high as \$175. In August, 1890, an implement-trade paper reported that binder prices had never been more irregular and competition never more reckless than in that year. In June of the same year it reported the price of the binder in the United States as "about \$145." Taken altogether, the evidence is convincing that the average retail price in that year was above \$100 and below \$130, but it would be impossible to obtain an estimated average worth considering.

This uncertainty of prices in the binder business largely due to the manufacturers' practice of contracting with irregular dealers (see p. 12), seriously affected the whole implement trade and for years was the chief concern of the retail dealers' associations. The better class of dealers had always been bitter against the use of the binder manufacturers' canvasser, which was later denounced by the Western association as "an unnecessary expense, a most prolific source of price cutting, and a demoralization of trade, not in keeping with good business principles." The dealer and canvasser, working together, often sold at lower prices, on longer terms, and to poorer credit risks than the dealer would accept when working alone. The attempts made in the eighties to have the binder manufacturers fix the retail price have already been noted. Later some of the leading manufacturers printed retail prices in their contracts, and the attempted consolidation of binder manufacturers in the fall of 1890 fixed the retail price of a 6-foot binder in its contracts at \$135. Nevertheless, in January, 1892, the president of the Western association said that competition had brought profits so low that in many cases it was a question how long the dealer could hold out.

In view of these conditions, representatives of all the binder manufacturers, who were really pushing their business in the great grain-growing section, met in Kansas City in December, 1891. As the result of this meeting a petition was forwarded to the general offices of the 11 companies represented, asking them to fix the wholesale and retail prices of their products.

In January, 1892, the Western association of dealers adopted the following resolution:

That it is the sense of the meeting that the wholesale manufacturers do away with canvassers and agents and that the price given to these agents be taken from the price of the implements and given to the retail dealer, and that the manufacturer through his agent will cancel any contract with any retail dealer that is found cutting prices during the season.

In the same year the chairman of the Western association's harvester committee wrote:

What we desire of manufacturers of harvesting machinery is that \* \* \* they should say how their goods should be sold, have fixed prices on the goods, and compel all agents to maintain prices and terms \* \* \*.

Similar views were frequently expressed by representatives of the dealers at that time.

At the close of the year 1893 the demoralization of prices in the harvesting-machine trade was reported to be as bad as ever, and it was stated that the efforts of the manufacturers to prevent price cutting had been frustrated by some manufacturer taking advantage of any agreement by cutting prices, but that a strong dealers' association could control the situation.

In January, 1894, the harvester committee of the Western association reported that the manufacturers recommended "that the retail implement dealers should establish a uniform retail price among themselves." At the same meeting, however, the president of the Western association said:

It is not the province of this association to regulate prices in any way. It would be impossible if undertaken.

State associations in Wisconsin, Pennsylvania, and Illinois gave considerable attention to prices in this year, and a local association in northeastern Nebraska is reported to have successfully maintained a retail-price schedule during the season of 1894.

The results obtained by the associations in their attempts to improve conditions in the harvesting-machine trade were so unsuccessful that during the second half of the decade most of the State associations either disbanded or practically suspended operation. The Western association not only maintained its existence but continued to grow. It held steadily to the price policy announced in 1894, but neverthe-

less continued its efforts to bring about conditions under which retail prices would be maintained or advanced to a more profitable level.

The Implement Dealers' Bulletin, established by the Western association in 1896, was effective in this work. In 1896 it advocated the organization of local clubs as of paramount importance. In 1897 special attention was given to the maintenance of territorial lines between agents for the same machine. In 1898 a letter was published suggesting that the manufacturers establish the margin of retail profit. But always the editor was urging the responsibility of the individual dealer to maintain a profitable price. It does not seem possible that the cordial relations arising from the annual conventions and continued admonitions of the Bulletin could have failed to have an appreciable influence on retail prices.

It is not possible to measure the effects of these efforts to stop price cutting. The degree of success of dealers' associations in accomplishing their purposes appears to have been largely measured by the number of members represented by its officers or committeemen in their negotiations with manufacturers. State and interstate associations of dealers had, however, materially curtailed the number of direct and irregular sales, even when their members constituted a relatively small proportion of the total number of all dealers in the territory represented. Nevertheless, a single dealer outside the influence of the associations could demoralize the trade of an entire county. Consequently, in later years, though the organized dealers continued to be active in soliciting members for their State and interstate associations, they became even more desirous of securing the membership of all eligible dealers for their local clubs.

An account has already been given of the organization of the National Association of Agricultural Implement & Vehicle Manufacturers in 1894. This association took much the same attitude toward wholesale prices as the Western association toward retail prices. The wagon manufacturers and the plow manufacturers continued their meetings throughout the decade. It is not clear from the fragmentary information available that anything was accomplished except to maintain more harmonious relations than would otherwise have existed and to give the different manufacturers more exact information as to the prices of their competitors.

Apparently, implement manufacturers and implement dealers were not greatly interested in association work in the later nineties, because the great prosperity of the American farmer in 1897-1899 brought with it equal, if not greater, prosperity for the implement business. At the close of the nineteenth century, however, the costs of raw materials in the implement industry showed a marked increase. For 20 years the manufacturers had pushed the substitution

of iron and steel for wood. But even with the relatively decreased demand for wood materials the supply of hardwood was being exhausted in certain sections and its price was going up. The effect of the earlier large combinations in the steel industry and the worldwide boom in this industry which occurred at the close of the decade showed itself in the closing months of 1899, when prices averaged 100 per cent higher than in December, 1898. At Pittsburgh gray-forge pig iron had advanced from \$9.25 to \$21.75, Bessemer pig iron from \$10.45 to \$25, and steel billets from \$15.25 to \$43.

These conditions, which considerably reduced the very large profits of the years immediately preceding, brought the associations in other branches of the industry into renewed and effective activity and facilitated the combination of the chief binder manufacturers in a single company. The effects on the costs of farm implements are well illustrated by data available in regard to the binder business. A binder that cost \$38 in 1898 and 1899 cost \$50 in 1900. The average price of all binders of this make sold in 1899 was about \$90; in 1900, a little less than \$100. The aggregate cost of all machines sold in 1898 by one of the largest binder manufacturers would be increased about 17 per cent, if 1900 costs for the different machines were substituted for the 1898 figures. The advance in its average selling price was about 9 per cent. Sales of machinery, not including repairs or twine, which amounted to between \$19,000,000 and \$20,000,000 in 1898, for a certain group of companies increased to almost \$29,000,000 in 1902. In spite of this increase of practically 50 per cent in sales, statements from companies which did this business show that the net profit thereon fell off very markedly. These data show further that their cost of producing \$100 worth of harvesting machinery in 1898 was only \$42, while in 1902 it had increased to \$51.<sup>1</sup> Their selling expense had also increased from \$21 in the earlier to \$27 in the later year, and in consequence the profit declined from 37 per cent on net sales in 1898 to 22 per cent in 1902. Even under these circumstances, however, they earned a high rate of profit on their investments. The average price realized for all binders sold by these concerns in 1900 was nearly \$105, and in 1902 less than \$100. During these years, as earlier, concessions were frequent, and in some cases large.

While no such precise data are available in regard to the situation in other branches of the industry, there is evidence that the factory cost of farm wagons, plows, and seeding machines also increased.

The annual meetings of the wagon manufacturers during the nineties have already been referred to. Although in 1891 it was announced that their object was not to advance prices, nevertheless

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<sup>1</sup> This increased manufacturing cost was probably in part due to the growing export trade and the larger production of rakes.

prices continued to be their principal interest. In 1895, for example, a resolution adopted by the association asserted that an advance of over 50 per cent in the prices of material made an increase in selling prices necessary. In the two following years a committee worked on the preparation of a uniform price list, but on December 15, 1897, this committee reported "that owing to the difference in construction of the various wagons made by the members of the association, it is impossible to formulate a uniform price list."

The only meeting of the wagon association in 1897 was the one at which it received this report. There is no record of any meeting in 1898. The members seemed convinced of the impracticability of fixing prices, and consequently of the futility of association work. But the latter conviction, if it existed, was short lived; in 1899 the association met seven times. Increased cost of materials and the necessary advance in prices was almost the only topic discussed. At a meeting April 6, 1899, 15 members gave estimates of the increase in cost of materials, which ranged from \$3.45 to \$5.07 per wagon. Two methods of dealing with prices were suggested at this meeting, namely, information as to each other's prices and independent action in advancing prices. At a meeting on June 21 an even more marked increase in costs was reported, and on September 6 the association recommended that prices for January 1, 1900, should be 20 per cent higher.

In 1899 the wagon manufacturers sought to obtain a more powerful means of controlling prices, namely, the consolidation of the leading factories. Early in the year about 20 companies signed an agreement to combine their interests, but apparently they were not able to satisfy New York underwriters as to the prospects for a wagon trust. The project was not given up, however, for from time to time during the next 10 years different schemes were brought to the attention of trust promoters, and it was not until 1909 that apparently the conviction was forced upon the advocates of consolidation either that wagon manufacture did not lend itself to trust manipulation or that greater activity in the enforcement of the antitrust acts made such a course dangerous.

Information in regard to the plow situation is even less definite than that in regard to wagons. The same evident dissatisfaction with the results of association work ended in an attempted combination of interests in 1899. As the completion of the consolidation would necessarily take time, in order to meet the immediate emergency due to increased cost of materials, in June, 1899, the association recommended an advance of 20 per cent on plows, corn planters, harrows, and cultivators to take effect on the business of 1900.

In the meantime, plans for the consolidation of the plow industry met with a much greater degree of apparent success than attended

like efforts of the wagon manufacturers. In 1901 the American Plow Co. was incorporated, and stock was to be taken by nearly all the leading plow manufacturers, but finally the refusal of one or two important concerns to enter the combination defeated the whole project. Practically all effort at cooperation appears to have been abandoned until 1907.

Up to the period of high cost beginning with 1899 the grain-drill manufacturers had cooperated in an informal manner, and as members of the National Association of Agricultural Implement & Vehicle Manufacturers. The National Association of Grain Drill Manufacturers was formed in 1902. Apparently, however, some of the strongest manufacturers were convinced that association effort could not satisfy their purposes, and in March, 1903, about half the country's output of grain drills was consolidated in the American Seeding Machine Co.

The organization of the International Harvester Co., in August, 1902, brought about 90 per cent of the binder production and over 80 per cent of the mower production under the control of that company. The formation of this consolidation was followed by the substantial elimination of price concessions to dealers, although no formal advance was made in prices for several years.



## CHAPTER II.

### WHOLESALE PRICE ACTIVITIES OF MANUFACTURERS' ASSOCIATIONS.

#### Section 1. Introduction.

Trade associations of implement manufacturers have made various efforts during the last 15 years to advance prices for the benefit of their members. In view of the great complexity of implement-price statistics (see p. 14), the great amount of time and expense necessary for the examination of accounts of individual companies, the wide variety of conditions involved in the operations of different concerns, and numerous other factors affecting the movement of prices that would have to be taken into consideration, it is impracticable to measure accurately the results of these efforts. The official records of these associations indicate, however, that a considerable influence has been exercised on prices, and sometimes they indicate its extent. They also show, at least in part, the methods which were adopted to influence the course of prices and the purposes which actuated the associations and their members.

The general advance in commodity prices during the last 15 years is a matter of common knowledge. During this period substantial increases have taken place in the wholesale and retail prices of different kinds of farm machinery and implements, though in some branches there have been at times marked decreases. Generally speaking, data gathered by the Bureau relative to the prices for these years show comparatively little uniformity of movement, and for most branches of the business the movements of prices might be largely accounted for by changes in the cost of production and distribution or other normal influences of supply and demand. Nevertheless, the prices of farm machinery have been frequently influenced to some extent, in some cases by monopolistic conditions and in others by concerted action of members of associations in particular branches.

In some branches of the farm-machinery industry where advances had been particularly marked, improvements in the machines or advances in the cost of materials probably account in a large measure for the increase in prices. For example, the advance in the prices of farm wagons has been especially notable, amounting to possibly 25 per cent, but during the period under consideration the

advance in the cost of materials used by wagon makers has probably been even greater. Materials, however, are only one element in the cost of production, and an advance in the cost of materials may be offset by reductions in cost in other directions, so that the total cost is not necessarily increased. For example, the margins between total costs and prices for the International Harvester Co. for most kinds of machines were higher from 1908 to 1911 than from 1903 to 1907. However, for farm wagons, that concern, while doing about 15 per cent of the business in the United States in 1910 and 1911, was making only a small profit thereon.<sup>1</sup>

In general, the farm-machinery business in the United States has been prosperous for well-managed concerns. The net earnings of the International Harvester Co. in 1911 were nearly three times its earnings in 1904. Furthermore, according to figures compiled by that company, the aggregate outstanding capital stock of 304 of its competitors increased from about \$46,000,000 in 1902 to \$228,000,000 in 1912-13. Of these 304 companies, 107, or over one-third of the total, were organized after 1902. Much of the new capital has been invested in the manufacture of farm engines, tractors, etc., the use of which has increased rapidly in the past few years. The number of new concerns formed to manufacture some of the older lines, such as plows, farm wagons, or grain drills, forms a relatively small proportion of the total. Such information as is available in regard to these branches of the trade does not indicate that the associations of manufacturers producing these lines succeeded in enhancing prices in any marked degree. Nevertheless, the concerted activities of the associations clearly show intent on the part of their members to increase prices and profits.

In the following sections of this chapter is given an account of the activities of the various associations in regard to wholesale prices and terms, particularly agreements, recommendations, and measures calculated to produce a general enhancement of prices.

## Section 2. Activities of the National Wagon Manufacturers' Association.

The rapid advance in the cost of materials for farm wagons during 1899 and the consequent revival of association activity on the part of the manufacturers in that line have already been noted. (See p. 19.) At the meeting in September, 1899, when they decided to advance prices 20 per cent, a committee was appointed to receive estimates of costs and selling prices, but this action was reconsidered, as only about 10 of the 20 members present were prepared and willing to furnish these figures.

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<sup>1</sup> Report of the Commissioner of Corporations on the International Harvester Co., p. 241.

At the next meeting, on November 22, 1899, a greater degree of confidence in each other prevailed among the members. In addressing the members the president ascribed unsatisfactory prices to mutual distrust and said that the worth of the association was in establishing confidence among its members. He held that information "coming from first hand" would steady the members and take away the fear which prompted them "to make ridiculously low prices."

Full discussion followed regarding advances each manufacturer expected to make in 1900. At its close a committee on classification of wagons was appointed, and each one present promised to bring to the next meeting his estimate of the cost, f. o. b. factory, and the selling price of a 3-inch and 3½-inch wagon, with 26-inch poplar box, lazy-back spring seat, gear brake, and box brake. A motion "that all the discussion as taken down by the stenographer be eliminated entirely from the minutes of this meeting, and that it shall not be written out at all in longhand," was carried. Thus, they established the policy of free confidential discussion of each other's costs and prices, and study of actual conditions, which was effectively continued through 1900 and 1901.

At the meeting in December, 1899, reports of members on costs and selling prices were collected. These reports showed a striking difference in costs and prices. The costs of a 3½ by 10 inch skein, 28-inch double-box farm wagon, 1½ by ½ inch tire, lazy-back spring seat and box brake, f. o. b. factory, ranged from \$30.65 to \$46.70; the lowest time prices to dealers, in carload lots, from \$47 to \$61.56; to jobbers, from \$43.25 to \$54.50.<sup>1</sup>

Thus, wagons answering to the same general description showed variations in cost of over 50 per cent. These differences can be accounted for by differences in specifications, in volume of output, and in efficiency of production, and partly also by differences in the method of cost accounting. Only the first of these conditions would have any considerable effect on quality. Therefore, the prices to dealers given above, which vary over 30 per cent, probably indicate the actual difference in the wagons themselves more accurately than the costs.

As already noted (see p. 19), a committee had been appointed in 1896 to formulate a uniform price list for farm wagons. Conviction of the impracticability of this plan led to its abandonment. It appeared practicable, however, to attempt the formulation of a uniform price list for tires and extra depths of boxes, and the committee was continued for that purpose. This was a simpler task, but the fol-

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<sup>1</sup> Apparently, the confidence of the manufacturers in each other was not so strong that the reports from different manufacturers were submitted to anybody but the committee which averaged them. The records were destroyed.

lowing remarks of the chairman of the committee at the meeting of December 20, 1899, are quoted in full, because of the indication they give of the difficulties of price control by the wagon manufacturers:

We got together to-day to try and get some kind of a report to present but ran against a great many obstacles and we come to you now for a little instruction. In the first place, one gentleman figures his iron at 2 cents; another at  $2\frac{1}{4}$  cents, and a third at  $2\frac{1}{2}$  cents. One man thinks he ought to figure iron at just what it costs him, and I believe in figuring at a little above cost, and then there was a question as to whether it was desired that we present a report as to the net amount to be charged extra for different widths and thicknesses of tires on different sizes of wagons, or whether we should present a list price. If a list price, then we have got to know something about the discount you want to figure. If a net price, we want to know something about how you figure your profit, and what profit do you want to make?

My idea was that we figure all wide tires on a basis of  $2\frac{1}{2}$  cents; we figure iron at  $2\frac{1}{2}$  cents; it may not be that price to-day. It is possible some wagon makers buy it cheaper than that. It will cost at our place \$2.26, while here in Chicago it will probably be \$2.28 or \$2.29, and at some places over \$2.40.

We are not very far off on boxes, yet we do not exactly know how to present that report, whether we shall figure what the net price, or the gross price shall be.

I would like to hear some expressions of the gentlemen here as to how they are accustomed to figure these things. I think in figuring wide tires you want to leave yourself some leeway, and I will say right here for myself that we are in the habit of figuring all our tire on the basis of  $2\frac{1}{2}$  cents for iron, and then to our jobbers we figure to get 25 per cent profit over that. I figure the cost of a set of wheels with regular tires, and I figure the cost of a set of wheels with all variations and thicknesses and that is the difference in the cost; that takes in your labor and your wide rims, and the difference in making the weld and setting the tires.

The committee was instructed to assume that iron used in the manufacture of farm wagons cost \$2.30 f. o. b. Chicago and poplar lumber \$40 per M feet. They were also instructed to take no account of the cost of certain accessories, namely, grain cleats, antispreader chains, and top-box fasteners.

The actual extent, and also the lack of uniformity, in the advances made as the result of the resolution adopted in September, 1899 (see p. 19), is indicated by statements by representatives of the different companies October 30, 1900, which read, in part, as follows:

Company 1: "Our advance January 1, 1900, over January 1, 1899, was \$8.50."

Company 2: "Our advance, \$8, over January 1, 1899."

Company 3: "January 1, 1899 was a low-water mark in prices and our maximum advance was \$10."

Company 4: "Can not give exact figures but our advance in price was \$7 only."

Company 5: "Have reduced price \$2.50 from highest notch and are now \$5 over January 1, 1899."

Company 6: "\* \* \* an advance of \$4.50."

Of the 27 concerns that reported, 10 gave either \$10 or 20 per cent as their advance on January 1, 1900.

A drop in the price of iron in the early part of 1900 caused a meeting of the association to be called, in the belief that some of the manufacturers might be inclined to reduce the price of wagons. The following is a list of questions, which were answered by the 29 members present at this meeting held in April, 1900:

(1) Have you made any concessions in prices since last meeting?

(2) What do you think will be the course of the market in iron and other material during the next few months?

(3) Do you think it advisable to make any reduction on the present price of wagons; if so, how much?

(4) Will you agree to maintain present prices of wagons, until next meeting of the association?

(5) What is your situation in labor?

At this meeting a member asserted that as the members had stood together on an advancing market they should do so on a declining one. The prevailing answer to question 4 in the list above was that prices would be maintained if other manufacturers maintained them; that is, there was a definite agreement to maintain existing prices, although there was no uniformity in those prices.

After full discussion by the members the following report of a committee was indorsed at the meeting of April 26, 1900:

Your committee concludes that there is nothing in the present situation which justifies any change in the price of wagons.

That while the price of iron is slightly lower, indications are that a further material reduction will not occur in the immediate future.

That the price of lumber is being maintained and dry stock more difficult to procure.

That increase in the cost of production of wagons is greater by reason of the increased cost and scarcity of labor.

That the present dull period was anticipated some time ago and your committee advise that the members of this association proceed with confidence to maintain their established prices.

In September, 1900, however, because of the considerable reduction in the price of iron, although wood stock and other material and labor had not fallen, the association voted that if any member of the association deemed it necessary to reduce prices such reduction should

not be more than 5 per cent below January 1, 1900, prices. On October 30, reductions were reported, as follows:

Company 1: "Have reduced \$2.50."

Company 2: "\* \* \* we reduced nearly \$3."

Company 3: "Have now reduced it \$2."

Company 4: "Advanced \$10 and reduced to \$7."

Company 5: "\* \* \* have made no reduction."

Company 6: "We have made no reduction under high prices, except in two cases."

Company 7: "We figure our present prices same as January 1, 1900."

Nearly all reported reductions since the beginning of the year, but apparently prices were still over \$5 higher than in the previous year. One of the members said, "Prices are up now and we ought to keep them up."

In May, 1901, members reported their cost of production under the following instructions:

Please fill out this sheet and bring it to the next meeting May 29, 1901.

Do not sign, or make any other marks of identification.

Please give your costs on the following wagons, and figure on the regular style, two-horse, cast-skein farm wagon, such as sold the Mississippi Valley trade, and do not include anti-spreader chains, top-box holders, nor grain cleats.

Gears and beds (poplar) separately.

\* \* \* \* \*

In figuring costs please be careful to include all material, labor and expense (general and incidental); in fact, total costs for delivery on board cars at your factory. *Except cost of selling.* Base your figures on cost of May 15, 1901.

A compilation was made from these reports, but the descriptions are so indefinite that the figures are of slight value. They show the same wide range of costs as before. At this meeting the association recommended an advance of 5 per cent on all shipments after July 1, 1901, but in November, 1901, one-third of the members reported that they had made no advance. About the same number reported an advance of 5 per cent.

The year 1902 was marked by dissatisfaction with old methods of work and the adoption of new ones. It was asserted that the low prices complained of were due to lack of knowledge in regard to costs of production and distribution quite as often as to pressure of competition. A meeting on April 23, 1902, was devoted principally to an elaborate explanation of costs by one of the members. This led the association to enter into a "cost-finding campaign," referred to the next year as "the most important work yet undertaken by this association."

In the discussion of costs by different members at the time of the institution of the cost-finding campaign it was brought out that the

charge for general expenses, or "co-expense," as it was called, varied from 38 per cent of shop-labor cost to 153 per cent of that cost. The total cost of a wagon as determined by reports at this meeting in April, 1902, varied from \$35 to \$48.37, with an average of \$42.43. The records of the association, however, give no specifications for the wagon on which reports were made. It was voted unanimously "that each member pledges his word of honor that he will go home and figure in detail the present cost of his wagons and add to them a fair profit and immediately change his present selling price in accordance, regardless of what price his competitor is making." A form of schedule for collating costs on a uniform basis was provided for the use of members. No rule appears to have been established, however, as to what was a fair rate of profit. Moreover, it is obvious that this method alone fails to bring about uniformity of prices, inasmuch as two concerns making substantially the same kind of wagon, but with different costs of production, would have to make different prices for substantially the same article.

During 1902 a committee was appointed to take into consideration the possibility of improving terms of credit. It was found that any joint action in regard to terms was not feasible, and two years later the committee was discharged.

An attempt to establish prices for tires in 1900 had apparently worked successfully, and the policy of making prices on parts was carried still further in 1902 by a vote that the selling prices of boxes and extra top boxes should not be less than 10 per cent over the average cost as shown in the cost compilation. A price of 35 cents apiece was also established for lock chains, which had been furnished free by a considerable number of manufacturers up to that time. An attempt to fix the price at 25 cents a set for top-box fasteners failed. A committee on publicity was appointed for the purpose of spreading information in regard to the low return on investments in wagon manufacture and discouraging new enterprises.

Recognizing that the great variation in wagons was unnecessary and made list prices on complete wagons impossible, a committee was appointed in the latter part of 1902 to make up standard specifications based on the old Government standard wagon. A committee on cost accounting and one on the general reorganization of the association were also appointed. It had been found that the terms of manufacturers' contracts with jobbers interfered in some cases with advancing prices, but before the close of 1902 all members of the association who sold through jobbers reported that their contracts provided for advances in price in accordance with advances in the cost of materials.

Relatively small results were obtained during 1903. The committee on costs pushed its work energetically throughout the year.

A report from the committee on standardization was accepted, but apparently without direct results. The recommendation made by the committee on reorganization, for the employment of a commissioner who should have control of and regulate prices in the different localities for each manufacturer, giving due consideration to the usual difference in prices of the various brands of wagons, was considered, but a new committee was appointed to formulate a plan for the better maintaining of prices.<sup>1</sup> A committee on labor statistics was also appointed and did more or less work during the year, but apparently without any important result.

On February 3, 1904, the committee, which was appointed in the preceding November, to formulate a plan and recommend measures by which prices could be better maintained made a report.<sup>2</sup> This report outlined the plan which formed the basis of the subsequent price policy of the association, and it should be noted that a similar policy has been followed by associations in other branches of the farm-machinery industry since that time. Starting from the accepted fact that, because of variations in the specifications of various factories, it would be impossible at that time to fix standard selling prices for complete wagons, the committee recommended as a first step the establishment of a minimum price on boxes. It recommended that this, if successful, be followed by similar action in respect to other parts, such as seats, brakes, and extra width and thickness of tire. The preparation of list prices for a complete wagon, with uniform variations of price in accordance with variations in specifications, was suggested as a possible future undertaking.

The committee recognized that the proposed work was one that could not be carried through successfully without thorough organization and the expenditure of a considerable amount of money. It recommended that an assessment should be levied upon each member of the association equal to one-quarter of 1 per cent upon the shop pay roll for the year 1903; that a committee, to be known as the executive committee, consisting of from 9 to 12 representative manufacturers, should have charge of the work, and should employ a competent man as secretary. This secretary should gather detailed information as to materials, construction, estimated costs, and selling prices under the direction of the executive committee, and should tabulate the information and present it to the committee without mentioning the names of members. The committee should then prepare a schedule of minimum prices on wagon boxes for different

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<sup>1</sup>The committee was known as the Reorganization Committee. Its members were F. D. Suydam, of the Milburn Wagon Co., Toledo, Ohio; W. C. Nones, of the Kentucky Wagon Manufacturing Co., of Louisville, Ky.; E. Louis Kuhns, of the Studebaker Bros. Manufacturing Co., of South Bend, Ind.; C. A. Geiger, of the Troy Wagon Works Co., of Troy, Ohio; and F. L. Mitchell, of the Mitchell & Lewis Co., Ltd., of Racine, Wis.

<sup>2</sup>This report will be found in full as Exhibit 11, p. 264.



classes of the trade based on this report and send a copy to each member of the association. This report should be the unanimous recommendation of the committee, and upon its adoption by the association all members thereof should agree to be governed thereby in their business.

This plan was submitted to all members by mail. At the committee meeting on April 15, 1904, it was reported that 39 concerns, having a pay roll of \$2,500,000, were in favor of putting it into operation; 6, having a pay roll of \$150,000, were opposed, and 11, with a pay roll of \$270,000, were undecided. The committee then took charge of the work.<sup>1</sup> They were asked to open their accounts to the secretary for evidence on prices and terms for boxes and other parts of wagons. This information was to be divulged to no member of the committee or of the association. At this meeting it was recommended that a member representing the Southeastern Department of the association should be added to the committee.

In carrying out the recommendations of the committee, the work of standardizing specifications and prices for parts of wagons was first undertaken. The secretary was instructed to obtain and tabulate information relative to wagon boxes, extra or tiptop boxes, box brakes, and spring seats. Each manufacturer participating was requested to send a copy of his latest catalogue and price list at once to the secretary. Shortly afterwards the question of standardizing wheel heights was taken up, and also the sizes for extra widths of tires on standard farm wagons for all territories. A schedule of charges for tires<sup>2</sup> adopted in October, 1900, was readopted in August, 1904, as minimum prices to dealers, prices to jobbers being 12½ per cent less. It was voted that this list apply to all wheels regardless of height. Later, in 1904, a minimum price was adopted for gear brakes and for box brakes.

At a meeting of the committee in August, 1904, it was decided that the minutes should be made to read "recommend" instead of "agree." The proceedings of the association in September of that year make it clear, however, that there was a definite purpose to

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<sup>1</sup> In the meantime six more members were added to the five that had already been appointed (see footnote on p. 28). The committee then became known as the "Wagon Makers' Committee" or the "Committee of Eleven." Later it became the executive committee of the association. The six members added were as follows: H. M. Kinney, of the Winona Wagon Co., of Winona, Minn.; W. H. Weber, of the Weber Wagon Co., of Chicago, Ill.; W. Schuttler, of the Peter Schuttler Co., of Chicago, Ill.; W. A. Rosenfield, of the Moline Wagon Co., of Moline, Ill.; George R. James, of the James & Graham Wagon Co., of Memphis, Tenn.; and Frank Slosson, of the Bain Wagon Co., of Kenosha, Wis. Subsequently, C. F. Milburn, of the Chattanooga Wagon Co., of Chattanooga, Tenn., also became a member of the committee as the representative of the southeastern department of the association, a separate organization composed of a number of farm-wagon manufacturers in the Southeastern States.

<sup>2</sup> See Exhibit 15, p. 271.

establish fixed prices on all parts sufficiently uniform in character to make that course practicable. Their own opinion as to the character of this policy is indicated by a vote of the association that—

No member of this association in adopting any of these recommendations mention the association or this committee—that it be done of their own volition and that it is not proper information for the travelers, jobbers or dealers.

In September, 1904, the association adopted the recommendation of the committee that a 26 inch by 10 foot 6 inch box, the shop cost of which was \$10.52, should be sold to the jobber for \$11.50 and to the dealer for \$13. Other prices recommended and adopted were as follows:

	To jobbers.	To dealers.
10-inch extra top box.....	\$2.90	\$3.25
Two-leaf spring seat, with lazy back.....	1.75	2.25
Feed boxes.....	.75	1.00

The allowance for grain cleats was fixed at 50 cents for metal and 25 cents for wood. It was also decided "that the present prices for wagons shall be rigidly maintained for the coming year."

In 1905 the work toward a more uniform product was pushed vigorously. In June standardized wheel heights were adopted, and the number of the different heights of wheels was reduced to five. It is said that 41 heights of wheels had been made by different manufacturers. The secretary made a preliminary report on terms, and was instructed to select a territory in which it would be easy to bring about a favorable change and try to secure the views of the manufacturers and jobbers and bring them together in conference. At this meeting the roll call of the members indicated that a large majority had complied with the resolution fixing prices on various parts of wagons. One of the manufacturers claimed that his concern had already saved several thousand dollars on minor parts in this way.

At a meeting in November, 1905, the association decided to advance prices on 3¼-inch wagons not less than \$2 on January 1, 1906, with a proportionate advance on other sizes. At the same meeting the secretary reported that he had made arrangements for a conference with jobbers and manufacturers at Kansas City on the subject of terms. The executive committee suggested "that the parties in interest \* \* \* confer, with the object of bettering the conditions on terms." The association was pledged to lend all assistance possible.

The progress of the work of the association gradually brought out the fact that its new policy looked to a more definite control of

prices and that the secretary was expected to investigate prices reported to him as below the recommendations of the association. Members were urged to give careful attention to their costs and to compilations of selling prices furnished them from information gathered by the secretary. Those who found their selling prices below the average were urged to advance them. In order to enable the secretary to carry on his work more effectively, in November, 1905, it was recommended—

That it be agreed that each member will, when called upon to do so, furnish to the secretary original papers such as letters, bills, contracts, for his information and guidance only.

He was also instructed to visit each of the factories after this advance in price was made effective in order to verify the selling prices of the different manufacturers.

In January, 1906, the secretary issued a bulletin beginning as follows:

The sole purpose of this bulletin is to learn from each member the status of his prices for 1906 with relation to the increased cost and the resolution passed at our meeting November 16, 1905.

Inclosed with this bulletin was a list of questions.<sup>1</sup> Concerning these questions, the secretary said:

We must have the complete restoration of faith and confidence in each other, consequently only frank and absolutely dependable answers will do to the questions I ask you to answer on the accompanying sheet.

During 1906 the association gave considerable attention to costs of materials and standardization in order to reduce such costs, and work was undertaken for improving conditions in the retail trade. (See pp. 58 and 218.) Nevertheless, the principal interest of the association continued to be their effort to establish satisfactory prices. At a meeting of the executive committee in March it developed that existing methods were not satisfactory, because they allowed "considerable latitude on the part of individuals and the recommendations of the association [were] not carried out in a way that seemed desirable." In the hope of obtaining better results, the secretary was instructed to ask manufacturers for "prices, terms of sale, discount for cash and place of delivery, upon which such wagons are sold to jobbers, semijobbers, and retail dealers" in "Kansas City territory," "Minneapolis territory," "Southern territory," etc.

It was also decided that when the association recommended an advance in prices "the trade shall be notified thereof by circular letters or postal cards, all of even date, to be mailed from each factory — days before the date set for such new prices to go into effect."

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<sup>1</sup> This list of questions is shown in full in Exhibit 12, p. 265.

These notices were to be mailed on receipt of advice from the secretary and on a day to be fixed by him.

The practice of a full discussion of costs, which had apparently worked so satisfactorily in the years following 1899, was continued. At a meeting in March, 1906, 17 manufacturers reported the increase in cost of producing a 3 $\frac{1}{4}$ -inch standard wagon over that of January, 1905. These reports varied from \$2 to \$4.05.

There was more or less anxiety in regard to the legality of work that was being undertaken by the association. In July the executive committee submitted their proposed recommendations in regard to prices to their attorneys, who advised them "to go ahead" and that it would be safe to include the words "5 per cent" in recommending the advance. The attorneys considered that the fact that prices at which wagons were sold were not uniform and that the 5 per cent advance was merely recommended rendered the whole transaction legal so far as the Sherman act or State antitrust statutes were concerned. Upon this assurance of the legality of their procedure, the association adopted the recommendation of the executive committee:

That every member of the association prepare a letter notifying their trade, including jobbers, of an advance of 5 per cent over present prices, to take effect from and after the date the secretary notifies them to send them out, and that the secretary notify them to date and send them out when he has received a copy of printed letter from every member of this committee and from such other members of the association who are not members of this committee as the secretary may deem necessary.

Up to September 17, 1906, the secretary had received from 34 different manufacturers their letters announcing this advance, which were to be sent according to his instruction on September 15.

At an executive committee meeting later in the year the secretary called attention to the differences in the cost figures submitted. It was admitted by all that mistakes had been made, that the subject of costs was not thoroughly understood by all members, and that it was essential to have accurate figures to work upon in determining what course to pursue in the matter of prices. Nevertheless, one member of the committee said:

The question of costs of your wagons given in the association will do and has done more to bring the wagon business up to where it is now than any other one subject.

This comment is interesting because of the claim for effective work by the association. In this connection the member said:

While we can not undertake to regulate selling prices, we can educate those that are making these lower reports as to their costs, and we can accomplish a whole lot of good that will not show in open meeting, but will show in personal results.

Commenting on these remarks, the president of one of the important companies advocated additional help for the secretary, saying:

An association with the money invested that this association has, can well afford to spend \$2,000 or \$3,000 a year more money if we can by doing that get a balance wheel for everybody, and a man in whom we have confidence that when he shows us or tells us that we are in error regarding what the other fellow is doing that we will believe him. \* \* \* Now, if I have been in error to start with I will continue to be in error, but if he finds that I have figured a certain wagon much below the average, why, when he comes to our place, he says, "How do you figure that a 3½ wagon figures what you have? Let me see your figures?" and I give them out, and he says, "You are wrong on your wheels," or "You are wrong on your gear;" I am only too glad to change it as I am getting expert help at a minimum cost.

In spite of the dissatisfaction with results referred to above, it was reported that estimates of the money value of the association made by different members were very gratifying and showed that the dues paid by the members were profitable investments.

Reports to the secretary late in 1906 and early in 1907 illustrate the great range in prices received by manufacturers for 2-horse farm wagons. The prices reported were the lowest at which the manufacturer would sell. In Kansas City and Dallas territory, minimum cash prices on 3¼-inch wagons to the dealer by carloads at the factory varied from \$51.30 to \$65. The time prices for the same wagons were \$54 and \$70. There is no information available as to the maximum prices received by the individual manufacturer, but if they were known the variation shown above would probably be increased.

However, uniformity is not essential to a general advance in prices, and at a meeting in March, 1907, it was voted to recommend that every member immediately prepare a letter notifying his trade of an advance of 5 per cent in his prices on wagons, extras, and repairs, to take effect as soon as the members should be notified by the secretary that he had received a printed letter announcing the intention of every member of the executive committee to make the advance, and also of as many other members as the secretary might deem necessary. The secretary fixed April 20 as the date when the advance should go into effect, and members were urged to send their letters promptly to the trade. An inquiry made by the secretary shortly afterwards indicated that the advance had been made by almost every member, as well as by the International Harvester Co. and the Studebaker company, two of the largest manufacturers of farm wagons outside the association, and also by various jobbers.

In June, a similar inquiry was made to ascertain the extent to which the advances on tires, boxes, and extra boxes recommended by

the association had been put into effect. It was found that the recommendations had been followed by nearly all the members. The secretary announced his intention of visiting the factories of various members who had not put the recommendations into effect, in order to take the matter up with them.

Meantime, several members appear to have become apprehensive that the action taken by the association in advancing prices was illegal, and at a meeting of the executive committee held in June, 1907, the secretary read several communications from members on the subject and stated that he had replied to them that the association was in no way violating the National antitrust laws, and that there seemed no grounds for apprehension, as the work and procedure of the association was and had always been merely recommendatory and in violation of no law. A committee was appointed to report on the matter later if necessary. A few days later the secretary issued a bulletin on the subject of antitrust legislation. This read, in part, as follows:

The three essential points to the National act and the real basis of all State acts on this question are these:

The entering into a *fixed* or *binding* agreement between two or more persons.

The *fixing* of *price* on any article of commerce.

The *controlling* or *regulating* of the volume of output of any article of commerce.

You certainly are aware that we do not do any one of these three things, for in every case, whatever advice we give, it is merely in the nature of a recommendation with no penalty attached to its nonacceptance or nonperformance, and I am frank to say to you that we never passed a recommendation that was carried out unanimously by every member of the Association, and were it not for the fact that the large majority who receive these recommendations recognize their wisdom and business value, they would amount to nothing, as every member is at liberty to accept or reject them at his pleasure, so that in following the recommendations that we pass you are not violating the law any more than if these recommendations or suggestions were sent out in book form as the wisdom of some individual author; so I trust if you have any apprehension on this score, this explanation, which is based on fact, will dispel it.

This matter was again taken up for consideration at a meeting of the association held at Chicago in September, 1907, and on advice of an attorney who had been consulted it was voted "that the actions of this association recommending minimum or fixed prices for extra wagon boxes, spring seats, brakes, lock chains, or any other parts of wagons, be now rescinded and that all such action be expunged from the minutes." One of the members present called attention to the fact that this resolution only expunged those recommendations that

established fixed prices, but still left in effect the percentage advances that had been recommended both on wagons and the parts of wagons.

The general question had already been considered by the executive committee at a meeting held just prior to the meeting of the general association. The point was raised whether, in view of the fact that questions were continually coming up as to the legality of the proceedings under the antitrust laws, it would not be well to have some attorney present at all meetings of the executive committee and of the association, so that if members got "on dangerous ground" the attorney could check the matter "then and there." One member of the committee said:

My idea is that there is a good deal in the phraseology you use, and we can pass the resolution and then let the secretary consult with the attorney and put it in the proper shape to avoid trouble, but the substance, the meat in the resolution, can be preserved.

At a meeting of the executive committee held at this time an advance in the prices for 1908 was recommended. Although a majority of the members of the association favored an advance of 5 per cent, it was voted to recommend that the members of the association should not take any orders for shipment beyond March 1, 1908, at the prices then prevailing. An effort was also made to improve the terms on which wagons were being sold.

It was thought that the increase in the costs of manufacture justified better prices for wagons, and in this connection the secretary suggested that at definite times in each year the questions of costs and price adjustment should be considered, and that each manufacturer should fix certain dates between which orders might be taken at prices then prevailing.

A little later the effects of the financial depression of 1907-8 began to be felt. At a meeting of the executive committee in December, 1907, it was decided that under the existing conditions it would be unwise to suggest any price policy for 1908 except to recommend that the existing prices be maintained and that no wagon maker should take orders for shipment later than July 1 except at an advance. A meeting of the association was also held in December, 1907, at which a resolution was adopted urging its members to discontinue the use of the commission contract, and further resolutions were passed defining the terms for commission contracts when used, and fixing maximum terms on straight sales in different sections of the United States. The object in both cases was to shorten terms of credit as much as possible. In June, 1908, the recommendation in regard to terms was reaffirmed by the association, and "each member was urged to continue shortening their selling terms in every territory wherever possible."

At the meeting in December, 1907, the members of the association also voted to cooperate in furnishing information to a committee appointed for each distributing territory to look into the subject of a standard price list and equipment for complete wagons. In carrying out this plan the secretary issued a bulletin in February, 1908, which read, in part, as follows:

You will recall that at one of our recent meetings the preparing of a STANDARD OR UNIFORM PRICE LIST was recommended. This proposition has been before the wagon manufacturers several times during the past 25 years, and although much desired, never has been quite successful; but as nothing of this character is impossible, we are going to make another effort, which I am sure will be successful with your cooperation.

Our first attempt will be to find a *base* wagon, and to ascertain how a standard wagon should be equipped in each selling territory, which will draw the line between necessary equipment and extras that are often given away and unnecessary.

Another benefit that should be derived is the equalization of differences that now exist between sizes of the same description of wagon.

We trust, therefore, that special attention will be given to filling out and returning promptly the enclosed blanks, which we are only sending to those already having trade in certain selling territories.

As a result of the investigation thus undertaken, a list of standard equipment for each territory was adopted by the association in December, 1908.<sup>1</sup> (See Exhibit 13, p. 266.)

The industrial depression of 1908 was especially trying for manufacturers of farm wagons. For several years sales had been pushed, and the falling off in demand found large stocks in the hands of the dealers. Under these conditions factories were not operated on full time. In April, 1908, the executive committee recommended to the association that the curtailment of production, which had apparently been initiated by the manufacturers severally, be continued and that selling prices be maintained. The secretary reported that the 5 per cent advance in prices that had been recommended in 1907 had not only been made effective, but had been maintained during the intervening months of light trade. In June, 1908, the association reaffirmed the recommendations regarding output and prices that had been adopted in April. It was felt by some of the members that as overhead expenses had not decreased in proportion to sales it would hardly be fair to take costs as a basis for selling prices.

Some idea of the strain under which the industry was laboring at this time may be obtained from the fact that the number of

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<sup>1</sup> In referring to the purpose of making this compilation, the secretary made the following remarks at a meeting of the executive committee in April, 1908:

I do not think that it was intended when we gave this instruction on the work, that these equipments were to be absolutely adhered to, but it would be a guide as to what is used in the territory, and prevent a member going into a new territory, furnishing a lot of extras not required and without charge.



wagon manufacturers as listed by a leading trade paper decreased from 129 in 1906 to 98 in 1909. This was not due to any extensive consolidation of competitors. The executive committee, convinced of the need of exact information in their efforts to improve the situation, agreed to submit to a leading firm of certified public accountants full information as to actual conditions in their business for the five years 1903 to 1907, inclusive. This seems to have been the first resort to the help of such experts. Apparently nothing was accomplished at that time, but five years later a very complete report on the costs of wagons in the factories of leading members of the association was made by them. (See p. 52.)

Toward the end of 1908 the trade situation for the farm-wagon manufacturers became even more difficult. The rapidly increasing use of the cheap farm truck, the manure spreader, and the automobile was cutting down the demand for standard farm wagons. Of 25 manufacturers reporting to the secretary on this subject, 16 said that they were making farm trucks. Many of them admitted that there was very little, if any, profit in this trade. The secretary reported that 36 concerns outside of the association, 20 of which were not wagon manufacturers, were making such trucks, and that they were combined with boxes from outside manufacturers and sold as complete wagons at lower prices than the regular farm wagon. The rapidly increasing business of the International Harvester Co., which was held to be due to the exceedingly long terms granted by that company, also caused much anxiety. A similar source of uneasiness was the very large cash discount given by the Moline Plow Co. on the Mandt wagon, which was rapidly increasing the wagon business of that concern.

In spite of these conditions, in October, 1908, the secretary was able to report that there was little price cutting in or out of the organization. He said:

The answers to Ques. 5 as to continued maintenance of prices need no comments, for after twelve months of dull trade and poor business it shows a wonderful strength of purpose and a most intelligent comprehension of the actual conditions of trade \* \* \*. At several of the fall meetings of industrial associations like our own, a very strong effort has been exerted to have their members realize that manufacturing will be conducted under greater rather than less expense than in the past, and any idea of selling the product at lower prices is not to be thought of.

At a meeting of the association in December, 1908, the conditions of the trade were fully considered, and at the conclusion of the discussion the following resolutions were unanimously adopted:

That this association recommends an advance of 10 per cent over present selling prices.

That no orders be taken after May 1, 1909, without this 10 per cent advance being applied.

That no orders be taken between this date and May 1, 1909, for shipment later than May 1, 1909, except at 10 per cent advance over present selling prices.

That it is recommended that each member send out notice to his selling forces, including traveling salesmen, jobbers, and dealers, of this proposed advance, and that such notice be mailed by or before December 20, 1908, and that a copy of such notice will be mailed immediately to the secretary.

The reasons given by the association for this advance may be summarized as follows: Greater increase in costs than in prices in the past;<sup>1</sup> decrease in profit per wagon during recent years of large trade; decreased rate per wagon not sufficient to pay fair profits on large investment still necessary under the decreased demand; increased investment because of increased prices of material with the certainty of further increase; failures of manufacturers under existing conditions; poorer representation in the retail trade because of decreased retail profits; ability of the farmer to pay a fair price, and expectation that the advance would not decrease demand.<sup>2</sup>

Shortly after this meeting the secretary reported that he had received notices of the proposed advance from 38 of the 39 members. He reported that two large outside concerns also intended to put the advance into effect, but that they hesitated to confer with representatives of the wagon association, largely because of the fear that it might have the appearance of collusion and be so advertised. It was estimated that the proposed advance would yield to members an additional profit of approximately \$1,500,000. Shortly before the time for the advance to become effective, the secretary reported that no member of the association had notified him that they would not put the advance into effect, and at a meeting of 29 members held April 28, 1909, all of them announced their intention of making the full advance of 10 per cent. It was also arranged that invoices for shipments after May 1, when the proposed advance was to go into effect, should show on their face whether the order had been taken before or after May 1. This precaution was evidently taken to prevent any of the members from taking orders at the old prices after the date fixed for the advance. Furthermore, the association adopted a resolution reaffirming the action taken in December, 1908, making the advance apply on wagons, parts of wagons, and extras in all territories.

It was claimed at this time that the 39 members of the wagon association made three-fifths of the total output of farm wagons. A committee had been appointed to call upon the International Har-

<sup>1</sup> A compilation of returns from members purported to show that from 1897 to 1907 costs had advanced 42 per cent and prices 30 per cent.

<sup>2</sup> The full text of the letter setting forth these reasons is shown in Exhibit 14, p. 270.

vester Co., the Studebaker Brothers' Manufacturing Co., and other large outside concerns to learn their attitude toward the advance. Delay in putting the advance into effect on the part of some of the outside concerns caused some apprehension, but a little later it was reported that the International Harvester Co. had advanced their prices 5 per cent, and it was announced that this advance of only 5 per cent had been made in several other instances. It was found that the members of the association had not met with much success in booking orders at the 10 per cent advance, and that the advance of only 5 per cent made by outside factories had made it impracticable for the members of the association to demand more. Accordingly, the executive committee of the association voted in July, 1909, to recommend "to the membership of this association that all orders taken from and after the date of this meeting be at an advance of not less than 5 per cent over prices in effect April 30, 1909."<sup>1</sup>

There was a tacit understanding entered into at this meeting that the "members of the committee who had voted for the passage of any important recommendation, especially those related to increased costs, would notify the secretary in every case where they contemplated changing the general policy in carrying out such recommendations, and that the secretary should have discretionary power to notify the other members of the committee or the association as he might deem best."

In commenting on the results, the secretary in November, 1909, said:

We stand on the threshold of 1910 with our prices 5 per cent higher than in 1908 as a general thing, and in some cases 10 per cent higher.

In February, 1910, the secretary of the association sent out a compilation of wagon prices in certain specified territories for the information of members. These prices were those made to carload, cash buyers, f. o. b. factory, with all freight equalizations and allowances of every kind deducted. A somewhat similar list had previously been sent out by the southeastern department of the association (see p. 29) to its members, who were cautioned to note that the prices shown were not regular selling prices of the different concerns repre-

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<sup>1</sup>The following comment was made by the secretary when sending this resolution of the executive committee:

As to the certainty of maintaining the five per cent advance there can be no question, for right along our outside competitors have realized the necessity of it and most of them have put on that amount, also the indications that we will have a large crop and good prices insure it. Let us therefore not be disappointed in not bringing down everything we shot at, for if what we have accomplished during the past six trying months is considered, we have made great gain:

First. Prevented the lowering of 1908 prices.

Second. Stimulated some trade early in the year that would not have come ordinarily, and it has kept us moving.

Third. Made a five per cent advance absolutely sure by standing for ten per cent till our competitors who might have made none committed themselves to five per cent.

Fourth. Advanced prices and conditions for a better trade basis in 1910.

sented. In January, 1910, the members of the southeastern department reaffirmed the recommendation made by the association in December, 1908, as to the necessity of an advance of 10 per cent in prices.

The members of the National Wagon Manufacturers' Association held a meeting in May, 1910, at which it was shown that an advance in selling prices made in 1909 approximating 5 per cent was being maintained by all. In October the secretary reported:

The recommendation passed at last meeting as to the maintenance of prices then existing has been generally kept, and in some few cases higher prices have been obtained, while lower prices have been made in a few special cases.

The matter of a uniform net price list for extras or common repair parts was taken up by the secretary in the early part of 1908. He had been instructed to prepare such a list and was authorized to determine the amount of profit that should be added over shop costs and overhead expenses. The difficulties in preparing this list are suggested in a bulletin sent out by the secretary shortly afterwards. In this bulletin he gave the average cost for two members who "look well to their costs," and also the highest and lowest prices to dealers and to jobbers, reported by the manufacturers belonging to the association, on various specified parts of a 3¼-inch farm wagon. The costs and prices given were as follows:

Extra part.	Shop cost.	Price to dealer.		Price to jobber.	
		Low.	High.	Low.	High.
Axle, with skeins.....	\$1.94	\$2.88	\$4.25	\$2.75	\$3.65
Bolster, wood, no stakes.....	.91	.86	1.89	.78	1.70
Reach, complete.....	.86	.79	1.60	.71	1.60
Tongue:					
Drop, complete.....	2.00	2.89	4.55	2.61	3.90
Stiff, stick.....	1.18	1.42	2.49	1.25	2.13
Evener.....	.58	.47	1.16	.43	.99
Neck yoke.....	.40	.60	1.16	.54	1.02

The secretary made the following statement in this connection:

Comment on the above is unnecessary, as figures show for themselves and also point out the fact that while in some instances fair returns are being obtained for these parts, in other cases these extra lists apparently have not been revised in many years, and with the increase in cost of materials, and workmanship, these parts are netting the factory little, if anything, above cost.

The list prepared by the secretary was submitted by him in December, 1908, but as several members considered it too high he was

directed to revise the list and send copies of it to all members as the recommendation of the association.

These instructions to the secretary were apparently carried out in 1909, and in October, 1910, he was directed to again "furnish a copy of the suggested base upon which to complete list of of catalogue prices subject to any discount which a member might see fit to make."

It was understood that the prices of this list should be net prices, subject only to a regular cash discount of about 5 per cent. It was pointed out that if members desired to use the same discount as quoted on wagons it would be necessary only to increase the amounts to the extent that when discounted they would bring the same net results. It was suggested that the members' old price lists of extras, made when wood materials were low in price, needed revision not only to "correct" the margin of profit but also to prevent loss. The later revision of the list in 1912 by a committee of the farm-wagon department of the National Implement & Vehicle Association is referred to elsewhere. (See p. 50; also Exhibit 16.)

Since 1911 the farm-wagon department of the association has continued the work of the National Wagon Manufacturers' Association. Various phases of its activities are referred to on pages 47-54.

### Section 3. Activities of the National Plow Association.

Before the National Plow Association was first organized, in April, 1907, some understanding had apparently been reached by the various plow manufacturers in regard to the classification of common types of walking plows.<sup>1</sup> At any rate, immediately following the organization of that association, the members proceeded to adopt a schedule of list prices for steel walking plows and lever harrows, with specified differential charges for variations from the scheduled types. This list was subject to the discount of individual members. For certain other classes of plows and tillage implements no uniform list price was recommended, owing to great variations in equipment and weight.

Standard equipment for disc harrows and cultivators was adopted, a standard equipment committee was created, and the secretary was directed to investigate the list prices of different members on common parts of various implements. Members who found it necessary to make an irregular price on any implement on which the association had recommended a list price were expected to notify the secretary. In April, 1909, it was announced that, with only minor exceptions, all members of the association had adopted the recommendations made by the standard equipment committee, and that most of the members

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<sup>1</sup>This may have been the result of the work of the earlier association, known as the "Northwestern Plow Association," whose records have not been available for examination.

had adopted the new list prices recommended by the association for extra plowshares for the trade in 1909. It was decided that members should use their influence with their branch-house representatives to induce them to adhere to the recommendations of the standard equipment committee. It was also decided that when any member, because of competition, found it necessary to furnish equipment different from the standard equipment recommended he should report the fact to the secretary for investigation and report to the association.

At a meeting of the National Plow Association in October, 1909, the secretary made a report on the advantages of list prices for all implements and the objections thereto. This report read, in part, as follows:

#### OBJECTIONS.

First. List prices not practicable on account of difference in construction, weight, and cost.

My answer is that take for illustration a 16'' high-lift sulky plow. It is used for the same purpose and all members having adopted the same equipment, I believe uniform list prices could be established based on the highest or average member's cost. The same condition applies to harrows, cultivators, etc.

Some may say that all walking plows of the same style and size cost the same, but I have records in my office of several members' costs on a plow in which their cost of material varies 68 cents, and their cost of productive labor varies 56 cents. The total cost of material and labor is \$5.52; hence, if there is a difference in the members' factory costs on a walking plow selling at the same list price of 20 per cent, I hardly believe there could be a greater difference in any other implements.

Second. Uniform list prices would tend to furnish competitors with more information regarding net selling costs, which possibly would result in cutting prices.

My answer is that each and every member would control his discounts the same as the present on walking plows and lever harrows. If one member had an advantage over another in the construction and cost of any certain implement on which list prices were based on the highest cost, it would enable him to give a larger trade discount, but it would not be necessary to make the same trade discount nor the same cash discount on all goods. He could make his discount 40 per cent on plows, 45 per cent on harrows, 50 per cent on cultivators, etc.

#### ADVANTAGES.

First. It would better enable you to make a profit on special styles or sizes of harrows, cultivators, and planters, which are usually made in small quantities, as goods made in small quantities can not be manufactured as cheaply as those made in larger quantities. By adopting list prices you provide against such conditions, the same as has been done on three and four section lever harrows.

As you are aware, up to two years ago, it was customary to sell all sizes of lever harrows at a net price per section and usually based on the cost of a two-section size, which secures the adoption of the list prices you have and will receive about the same ratio of profit on the three and four section sizes as on the similar sizes.

Second. A factor of great importance is that from present indications, your next purchases of raw materials will cost more than your last and that you will be obliged to increase your selling prices if you intend to have the same ratio of profit. In view of the proposed advance in your selling prices, it seems like an opportune time to adopt list prices and with list prices once established, it would simplify the modifying of selling prices by only changing the discounts to accommodate any changed conditions in cost.

Third. It would benefit the majority of the retail dealers if the manufacturers' list prices would be the basis for their selling prices.

Fourth. The list prices would represent a great saving of time in checking up the contracts as received; also minimize the number of errors which always necessitates considerable correspondence.

We have not trespassed upon any of the National or State antitrust laws by attempting to regulate production or to regulate the net selling prices of implements, and by establishing uniform list prices, it would not in any way regulate the net selling prices.

I believe this subject to be of great importance and that it can be made very profitable, but there may be some objections which I do not know about, hence I hope all members present will discuss this subject freely; also decide to call a special meeting for the purpose of recommending or establishing uniform list prices.

All members present except three favored considering the subject. The president was requested to appoint a committee of three to meet with the secretary to consider this subject and report their recommendations at the next meeting.

The records of the association do not show that any further action was taken in this matter.

In April, 1910, it was reported that all members of the plow association were complying with the various recommendations on standard equipment, that had been made by the association. Later in the year some of the wholesale houses at Dallas, Tex., were reported to be furnishing certain parts as regular equipment which the association had recommended should be considered as extras. The plow association instructed its secretary to visit Dallas and, if the equipment recommended by the association did not meet the approval of the wholesalers, to endeavor to reach an agreement on some equipment satisfactory to all.

Through the efforts of the association, the Oliver Chilled Plow Works, one of the largest plow manufacturers in the United States,

and one which did not belong to the association, was induced in 1910 to adopt the list prices of the association on wood and steel beam steel plows, and also to advance the list price of wood-beam chilled plows to the price of steel-beam chilled plows, the price of some of the latter also being advanced.

That this advance in list prices was expected to effect an advance in net prices is indicated by the comment by the secretary of the association in reporting this matter to its members in November, 1910. In this connection he said:

\* \* \* While all of these changes represent a large profit to the Oliver Co., they also represent a profit to all other chilled plow manufacturers \* \* \*.

In the latter part of 1907 the National Association of Agricultural Implement & Vehicle Manufacturers inaugurated a movement to bring about shorter terms for the various lines of farm machinery. The terms for plow goods and tillage implements were referred to the National Plow Association. That association took up the matter with considerable energy, and in January, 1908, a resolution was adopted directing the secretary to notify each member to instruct his branch-house manager or agent at each trade center to meet at once with similar representatives of other companies to consider and recommend shorter terms of payment for 1909. Meetings of this sort appear to have been held by the jobbers' clubs at Kansas City and Omaha, and attempts were made to interest the clubs at Minneapolis and Dallas. It was conceded that it was not convenient for all manufacturers to adopt the same terms.

The president of the association pointed out in April, 1908, that changes in terms could not be effected by concerted action, but would have to be worked out gradually. He expressed his own views that each member should make shorter terms.

All members present at a meeting of the association in June, 1908, expressed their approval of certain terms that were discussed, but the minutes of the meeting state that the terms and cash discount approved were not in any way to regulate or have any bearing on the net selling prices.

In March, 1909, a resolution was adopted by the association calling upon its members to use their best efforts to improve the system of note settlement and to discourage the practice of carrying plow goods or extending dealers' accounts from fall to spring terms. At the annual meeting of the association shortly afterwards it was announced that the discount dates had generally been shortened from one to three months.

At the annual meeting of the association in April, 1910, the secretary read the terms of payment recommended by the association for that year and stated that, on reviewing the terms in force by some of



the large jobbers in Omaha, Kansas City, St. Louis, and Indianapolis territories, he had found that they compared very favorably with the terms of the plow association; that in some cases the maturity date was one month later, or the cash discount date one month earlier. It was recommended that the members continue the 1910 terms for trade in 1911 and that any member might be privileged to make shorter terms.

Even more strongly perhaps than in the case of the members of the National Wagon Manufacturers' Association the members of the National Plow Association seem to have been impressed with the fact that to secure harmonious prices among competing manufacturers a uniform system of cost accounting is quite as necessary as standard specifications and standard equipment. Accordingly, a cost committee was appointed by the plow association to prepare a uniform accounting system. Its report made in 1908 was a detailed explanation, of every possible item that it was considered necessary to include in the computation in order to determine actual costs of goods. These items covered not only the cost f. o. b. factory, but also the cost of making sales to jobbers and to dealers, respectively, as well as cost of freight to delivery points, when the freight was paid by the manufacturers. The report was urgent in directing special attention to the fact that ample allowances should be made to cover waste and losses of materials and workmanship; that no item of unproductive labor, maintenance of plant, depreciation, donations, claims for breakage or defective goods, or even exchange on customers' checks should be overlooked. Furthermore, members were advised to include interest on their investment. The inclusion of this item was deemed to be so important that the cost committee made a supplemental report on the subject in April, 1909. This recommended that an interest charge of 5 per cent on the capital, surplus, and undivided profits be included by each company as a part of the cost, and that the amount of interest paid on borrowed capital be added thereto. The original report of the committee had already been printed in pamphlet form and sent to members for their use in considering the committee's recommendations. The supplemental report, which had been approved by members at the second annual meeting, in April, 1909, also appears to have been sent to them in printed form. Members were not required, however, to adopt the cost system recommended. In the annual report of the secretary in April, 1909, it was stated that several members had asserted that this cost system alone was worth all their expenses on account of the association.

After the National Plow Association became a part of the National Implement & Vehicle Association, in 1911, the work of the former association was continued by the plow and tillage-implement department of the latter, as shown elsewhere. (See pp. 47-54.)

#### Section 4. Activities of the National Implement & Vehicle Association and its special trade departments.

NATIONAL IMPLEMENT & VEHICLE ASSOCIATION.—Notwithstanding efforts that had been made by the wagon and plow associations, and also by the National Association of Agricultural Implement & Vehicle Manufacturers,<sup>1</sup> to make their members realize the advantage of an accurate knowledge of their own costs, it was alleged, after the National Implement & Vehicle Association was formed, that the trade in these lines and in others was still affected by unintelligent price competition arising from a lack of such knowledge.

To assist members in all branches of the industry in installing a uniform method of cost accounting, and to supplement the activities of its special trade departments in their efforts to promote harmony of prices by securing the adoption of standard specifications and equipment, the National Implement & Vehicle Association maintains a committee on manufacturing costs (formerly known as committee on costs). At the annual meeting of the association in October, 1911, the report of this committee attributed a high proportion of the failures in business to a lack of knowledge of costs. The report pointed out that, in many cases, prices were not fixed upon costs, but upon prices fixed by competitors, regardless of possible wide disparity in construction or values. This, it was asserted, led to price cutting, mutual loss, and the furtherance of disastrous competition. Reference was made to the fact that, although in some cases printed pamphlets showing methods of figuring costs had been distributed, yet the prices that were still being made on certain machines was evidence of the fact that the principles advocated in these pamphlets had not been put into general practice. The concluding paragraph of the report read as follows:

There is no incentive to cut prices on goods already sold too low, if the manufacturer is familiar with the facts, and the last word of the committee is—get in touch with your cost.

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<sup>1</sup>The National Association of Agricultural Implement & Vehicle Manufacturers had provided for the appointment of a committee on costs at least as early as 1905, for at the annual meeting of the association in that year a committee on costs made a report to the members, calling attention to the failure of many of the members to maintain an adequate system of cost accounting and suggesting a cost formula of general application, which was recommended to members for their adoption. The association ordered this report to be printed. At the annual meeting of the association in November, 1910, however, the chairman of the committee expressed some doubt as to the usefulness of such a committee in the work of the association (which covered various branches of the industry). He reported that a letter had been addressed to the 200 active members of the association, to which 58 replies had been received. This letter asked whether the member addressed had a satisfactory cost system and whether he would be willing to change if a satisfactory uniform system could be devised. The replies were such that the chairman asserted that it would be useless to attempt anything along the line of a uniform cost system for the members of the association, since results would not be commensurate with the work involved in such an undertaking. He also stated that he agreed that a cost committee had no standing or place in an organization like the National Association of Agricultural Implement & Vehicle Manufacturers, and he recommended the discontinuance of the committee, or that the committee be continued only in an advisory capacity.

The obvious motive behind these cost-educational efforts was to advance prices.

This recommendation of the cost committee was followed in December, 1911, by a request to that committee from the executive committee of the association to formulate a list of cost items, essential in making up complete costs, to be printed and distributed to the members of the association. The list thus prepared was a revision of the cost system which had been adopted by the plow association a few years earlier (see p. 45), and is shown in full as Exhibit 29 on page 323 of this report. In submitting the revised list at the annual meeting of the association in October, 1912, the committee said:

This plan was devised by a committee of the National Plow Association of which your present committee was a part. It has been used with much success.

While this system was applied to tillage implements, yet its fundamentals apply to all lines and with the necessary adjustment of details to meet conditions should be of assistance to many. It is entirely unnecessary for your committee to present further argument as to the necessity of using a cost system in modern business, but we would urge that your present system be tested on the essential points brought out in the foregoing.

DEPARTMENTS OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION.—Since the early part of 1911, the special trade departments of the National Implement & Vehicle Association have continued the work of standardization and the discussion of costs and prices, formerly conducted by predecessor associations.

The National Association of Grain Drill Manufacturers, which became the grain-drill and seeder department of the National Implement & Vehicle Association, had apparently made less progress along the line of standardization than either the farm-wagon or the plow association. In May, 1913, however, the grain-drill department took up the matter of standardizing the equipment for certain grain drills, especially to determine what parts of the equipment should be considered as extras. A proposal to eliminate a number of unnecessary sizes of grain drills and special equipment was favorably received. At another meeting of the grain-drill department in June, 1913, the conclusion was reached that close attention should be given to costs of production and that increasing costs demanded a readjustment of selling prices.

At the first meeting of the plow and tillage-implement department of the association, in May, 1911, the standard equipment which had been adopted by the National Plow Association was approved and the secretary was instructed to notify all manufacturers. In considering the subject of standard equipment, the question of furnish-

ing hard oilers with disc harrows was brought up, and the consensus of opinion was that, if furnished, they should be charged for as an extra. The secretary was instructed to see the International Harvester Co. in regard to this, and also with regard to furnishing doubletrees and neck yokes, and automatic markers with corn planters, and to report to the department thereon. It was ordered that copies of the cost sheets of one factory for wood-bar harrows, which had been checked by several members and found to correspond approximately with their own, be sent to all makers of wood-bar harrows. The question of equipment for listers was raised, and the secretary was instructed to write one concern which was understood to be furnishing extra plates in excess of the standard equipment. The secretary was also directed to take up the matter of standardization for plow-beam billets with several steel companies. Furthermore, the executive committee was instructed to prepare and furnish all members with cost sheets, bringing costs up to date, on plows, harrows, cultivators, and corn planters.

At another meeting of the plow and tillage-implement department, in May, 1912, the matter of standard equipment was discussed at some length. It was voted that hard oilers be considered as part of the standard equipment for disc harrows at the discretion of the manufacturers. It was thought that advances in the cost of materials, and the prospect of further advances, emphasized the necessity of at least maintaining the existing prices of implements. A complaint was read from one of the members relative to the sale of 6 and 8 shovel cultivators in Indiana and Michigan. It was the sense of the members that the difference between 6 and 8 shovel cultivators' heavy extension gangs, as shown by the actual cost, should be at least \$1, and the difference between 6 and 8 shovel light gangs, such as the Eagle claws or curved beams, should be 50 cents, and that this recommendation should be included in the standard equipment recommendations.

Each member present at a meeting of the plow department, held in April, 1913, expressed himself regarding conditions in the material markets and in the trade for the ensuing year. It was voted that manufacturing conditions required that contracts for materials should be made to cover a period of 12 months ending July 1 of any year. The prices of individual commodities were considered item by item, and the conclusion was reached that there was a general tendency for prices to increase, which was thought to indicate the probable necessity for reviewing the figures of manufacturing costs. Another meeting was held a month later (May, 1913), at which the steel situation was discussed. The members seem to have thought that, in view of the circumstances then surrounding the implement business, they deserved greater consideration from the steel pro-

ducers in the matter of prices. The opinion was expressed that some advance in implements would be necessary to cover increased costs, but it was thought that this should be measured conservatively if volume of trade were to be maintained. The matter of prices for implements for 1913-14 was also discussed, one member taking the position that the conditions surrounding each business differed sufficiently to make it unsafe to follow a competitor, either as to prices or terms, without an accurate knowledge of one's own situation. It was stated that to improve the situation it was necessary for the manufacturers to act, and that if all were to act simultaneously all necessary changes would be made without disturbance to the trade, and the results would be exceedingly gratifying.

At a meeting of the farm-wagon manufacturers held April 20, 1911, at which the farm-wagon department of the National Implement & Vehicle Association was organized, a general discussion took place, revealing a practically unanimous belief in the necessity for the maintenance of existing prices, although it was claimed that higher prices were justified by manufacturing costs and expenses. The discussion of costs was postponed until a later meeting, at which fuller information would be available concerning work along cost lines then being carried on at the factories of members. The next meeting of this department, of which there is any record, took place June 5, 1912. There were present representatives of 11 concerns, which it was claimed represented 75 per cent of the farm-wagon output of the United States. It was unanimously agreed that prices ought to be higher and that none of those present would take orders at the existing prices after December 31, 1912. In September, 1912, a compilation of replies to certain questions relative to conditions in the farm-wagon business was read and discussed. This showed that 17 out of 23 companies had made no general change in selling prices during 1910, 1911, and 1912. Twenty expressed the opinion that prices ought to be higher. After discussion it was voted to recommend that after January 1, 1913, wagons should not be furnished at less than a 5 per cent advance over the existing prices, and that no orders for shipment after April 1, 1913, should be taken except at a further advance of at least 5 per cent. At the next meeting, in November, 1912, this resolution was reaffirmed, but the date (April 1) was changed to June 1.

The members of the wagon department also decided to take care of the alleged increase in costs by greater economies in manufacture, especially to eliminate certain sizes of wagons, in order to curtail expense incident to variety in detail of manufacture. (See p. 52.) In June, 1912, the matter of eliminating certain wheel heights and substituting lower ones was discussed, the secretary being instructed

to ascertain the views of the members. The problem of standardizing wide tires was also taken up at this time. A letter was sent out to all members of the department, manufacturers and distributors as well, asking whether they would agree on certain specified widths for wide tires. The returns showed 23 favorable replies and 2 adverse ones. A committee was appointed to canvass the matter further, apparently to look into State laws relative to wide tires, with the object of establishing standard sizes. In the meantime the net price list for tires, which had been issued in August, 1904, and recommended to the members of the National Wagon Manufacturers' Association for adoption in 1907, was again reissued by the farm-wagon department of the National Implement & Vehicle Association in May, 1911. (See Exhibit 15, p. 271.) The prices recommended in this list were intended for use as net prices in connection with price lists issued by the several manufacturers. They were based on tires for standard wheels with no reduction on wheels of less height.

In June, 1912, the wagon department appointed a committee to recommend the proper basis for a uniform gross list for extra and repair parts for farm wagons. The committee, consisting of the representatives of some of the principal manufacturers, confined its labors to the size of wagons commonly used throughout the Middle West, the consensus of opinion being that a high list should be adopted giving the dealer a "good big profit." In November the committee presented its report to the wagon department of the association (see Exhibit 16, p. 272), showing not only the gross lists of six leading companies with the discount of each, but also a gross list recommended for adoption by the members, which it was pointed out, if discounted 50 per cent, would result in net prices that would show a fair margin. The committee was careful to state, however, that it did not recommend a discount of 50 per cent, or any other discount, but did suggest the adoption of the gross list, each manufacturer to determine the proper discount to apply after investigating his own costs in the regular way. It also recommended a similar list for mountain-wagon parts by adding 30 to 40 per cent to the list recommended, which would enable the quoting of a uniform trade discount applicable to both lists. Shortly afterwards one of the leading factories belonging to the farm-wagon department, in sending out to its branch houses new lists based upon that recommended by the wagon department, announced a discount of 50 per cent to dealers and stated that the principal competing manufacturers had agreed to adopt a list that would net them 50 per cent of the list prices.

Impressed with the necessity of having an accurate knowledge of the difference between the amounts of money paid out and the

amounts taken in, for determining whether business was conducted at a profit or at a loss, the president of the farm-wagon department, who is the head of a prosperous factory, and who has been active in the association work for years, prepared a detailed cost formula in 1913, which was asserted to be especially adapted to the need of the farm-wagon industry. The items of general and selling expense in this formula were intended to be similar to the deductions from gross income made by manufacturing corporations in making returns of net annual income to the United States Internal Revenue Bureau under the Federal corporation-tax law. The only item for interest shown to be included in this formula as a cost of the business was that paid on bonds or other indebtedness to an amount not exceeding the amount of paid-up capital stock outstanding at the close of the year. Allowance for repairs to buildings and equipment, and for guaranty or warranty expenses, were specifically included in the factory expense. The costs reported for materials included freight, probably an allowance for losses and waste, and perhaps an interest charge for carrying stock. It is not unlikely that similar allowances for lost and wasted time were also included in costs of productive labor, although they were not shown in detail. Charities and contributions, cash discounts, shortage expense and allowances, general expense not otherwise classified, bad debts and losses, and depreciation on buildings and equipment were reckoned as part of the expenses.

When this formula was submitted to the members of the farm-wagon department, in June, 1913, it aroused considerable interest. The method of handling certain costs created some discussion, special attention being apparently directed to what would be the most logical method of charging interest on investment in materials.

In presenting this formula the president of the wagon department pointed out that "the very great benefit in having associations make comparisons is in seeing how the costs vary in the different plants and what the averages of the comparative cost are. In this way the figures of one plant are a check on the figures of the other." The "paramount importance" of similar or common specifications for comparing the costs at different factories was also explained.

For purposes of comparison, members of the department presented the costs of their concerns based upon a wagon of the size in most general use. In reporting the result of this comparison the minutes of the department state that the figures showed a wide discrepancy, indicating that cost methods of all members were not uniform, and that there was need of such uniformity as had been proposed by the president of the department. It was the prevailing opinion that useful facts could not be obtained until a proper basis of comparison was arrived at. It was suggested that a firm of cost

accountants be employed to visit various plants to take the specifications of a few standard wagons and check up costs on those wagons from the systems in use, according to the formula offered by the president. Accordingly, it was voted that the president of the department enter into an arrangement of this sort, the compilation to be presented at a meeting of the farm-wagon department, and the cost to be borne by the department.

The report of the accountants on the cost of standard wagons at the factories of five of the largest manufacturers was made at a meeting of the department held in September, 1913. The minutes of this meeting state that the information proved to be interesting and valuable, especially in view of the statement that the costs were built up in the same manner from the same basis at every plant. It was asserted that the figures were undoubtedly a surprise to many, in that they showed an advance over figures previously submitted. It was held that this fact constituted a very forcible suggestion to every manufacturer that the most important step to take before making up his selling prices for 1914 was to very carefully check over his costs on the basis of this report.

At this meeting considerable attention was given to the situation with respect to a standard 1-horse wagon shipped into the southern and southeastern sections of the United States. It was stated that the difference between the prevailing selling prices in that territory for wagons made largely by local manufacturers and the actual costs to those shipping into that section was so small as to emphasize strongly the need of giving these conditions special attention.

In further commenting upon the report of the accountants, the minutes of the department made the following statement:

It seemed to be the consensus of opinion that while in making up future selling prices these increased costs could not be absorbed out of profits, yet would have to be taken care of either by additions to present selling prices or economies in manufacture that would offset it. The latter course seemed to be more generally favored, but could hardly be accomplished except through standardization and elimination, for the costs of producing wagons under present conditions and present trade demands would admit of little economy, yet if several sizes of wagons really unnecessary at this time could be eliminated and certain parts of wagons brought to a common standard much economy would result, for every size of wagon duplicates the large variety of detail in manufacture.

During 1914 members of the grain-drill, farm-wagon, and plow and tillage implement departments of the National Implement & Vehicle Association made some progress in plans for standardizing the factory products of their members, especially in the direction of reducing the variety of sizes and types and retaining certain sizes and



types as standard. At the annual meeting of the National Implement & Vehicle Association in October, 1914, its committee on manufacturing costs strongly urged the standardization of cost accounting. In this connection the committee pointed out that—

with the adoption of a standard system of cost accounting, the comparisons of costs among the members of an association not only become an easy matter, but is one that will undoubtedly bring most profitable results. \* \* \*

In order to bring about such results among the members of the association the committee recommended the establishment of a cost-accounting bureau in charge of a competent man acting under the direction of the executive committee through the secretary. The committee expressed its opinion of the functions of such a bureau as follows:

1st. To perfect cost systems applicable to the various lines, with a set of blanks to be used in compiling cost figures, in such a way that all reports from any given industry would be upon a uniform basis.

2d. To have submitted to it, from time to time, tabulations of costs on certain standard productions by the members of the association, for the purpose of making comparisons and averages, with a view of proving the correctness of the cost figures, and where the costs submitted by some member seem out of line, to go into the details with such member and endeavor to correct the apparent inaccuracy.

3d. To cooperate with those members who have no cost systems in establishing this important feature in their organizations.

The desirability of installing a bureau or department in charge of an expert to handle both manufacturing and selling costs, including the information on cost accounting furnished to retail dealers, had already been referred to by the president of the National Implement & Vehicle Association in his opening address at the first session of this convention of the association. In referring to the matter he pointed out that this work was being seriously handicapped by not having some one to devote his whole time to it.

On the subject of price discussions or the formation of price lists by the association the secretary in a recent letter to the Bureau of Corporations called attention to an excerpt from the minutes of a meeting of the executive committee held June 3, 1914. This excerpt reads as follows:

One of the members of the committee stated that any discussion concerning prices would in his judgment be clearly contrary to existing laws, and that if it was ever considered to be within the function of this or any other committee in the association to discuss or act upon that subject, he would be compelled to withdraw. The committee unanimously concurred that discussion or action on prices was entirely contrary to the purposes of the organization and would not be permitted. The point was raised not

because of any actions previously taken, or proposed for the future, but because it was deemed wise to have a complete understanding on the subject. It was brought out, however, that our attorneys had advised that under certain conditions it was legal to formulate uniform gross price lists, but it was the unanimous conclusion of the committee that no discussions or any action on same now or in the future would be permitted.

In considering matters of standardization, it was decided that no consideration be given or reference made to the charging extra for nonstandard equipment.

### Section 5. Significance of cost system in relation to selling prices.

That the cost-accounting movement with its supplementary activities in respect to standard specifications, equipment, etc., has been adopted by the members of the National Implement & Vehicle Association as a means of establishing a higher price level and as a method by which to establish an approximate standard of prices for competing concerns admits of no doubt. The computation of cost includes interest, not only on borrowed money but also upon the investment, besides every possible item of expense, as well as allowances for all services rendered. This figure which is denominated "cost"<sup>1</sup> is obviously the equivalent of a profit-yielding price. The fundamental idea of cost in cost accounting comprises outlay and waste and excludes any element of profit. The question whether a price computed in this manner is high or low is quite another matter, depending principally upon the rate at which the interest is computed.

In the present instance this question has more than an academic interest. If the laws of the United States forbid direct regulation of prices by competitors among themselves as agreements in restraint of trade, it should be determined whether they do not also forbid the regulation of prices by indirection, through concerted action of competitors in adopting a uniform system of cost accounting, in exchanging information in regard to their costs, and through recommendations to fix prices in accordance with the cost. The adoption of common standards of cost and the exchange of information in regard thereto is mainly to secure a similar course of action on the part of each member.

While prices of different makers of similar machines under this system tend to be approximately the same, yet the fact that the prices of each are based upon his own costs, even though comparisons are made, theoretically, at least, contemplates differences in prices to correspond to differences in costs. There would be a tendency toward the elimination of such differences, however, unless there were differences in quality corresponding to the differences in

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<sup>1</sup>The recommendations of the National Implement & Vehicle Association as contained in its cost pamphlet state that the inclusion of the item of interest is optional. (See Exhibit 29, p. 323.)

cost, in which case the prices would be substantially equalized by this method. The principle, however, of such a determination of prices through costs is not in harmony with the principle of competitive prices. It is evident, moreover, that the plan of meeting to discuss and compare costs computed on this basis involves the possibility of agreements in respect to adoption of prices based upon the highest costs reported, or of agreements to add a high, uniform, arbitrary rate of profit, or even direct agreements on prices.

The question to be emphasized here is whether competing manufacturers should be permitted to establish and maintain even approximately uniform prices by concerted action in comparing costs; and whether such proceedings are free from the dangers and objections incident to more direct methods of fixing uniform prices among competitors.

Apart from this aspect of price regulation, it may be a proper function of trade associations to assist members to adopt a proper system of cost accounting that shall accurately measure amounts actually expended for or chargeable to production. The adoption of standard specifications, recommended by associations, is often of advantage to both manufacturers and purchasers and tends to promote economies in industry and commerce. Frequently, however, the purpose in establishing standard or uniform equipment is to deprive the purchaser of some convenience that he has formerly received without any corresponding reduction in price. The meeting of competitors to compare and discuss costs as a basis for prices is, however, as already stated, peculiarly susceptible of being used as a cloak for conferences to make agreements on prices.

#### **Section 6. Activities of the National Association of Thresher Manufacturers.**

So far as shown by the records now available, the thresher manufacturers' association paid less attention than the wagon manufacturers to costs and standard specifications as a basis for determining prices, nor did they, like the plow manufacturers, adopt a schedule of gross prices.

In 1904, however, a committee of the thresher manufacturers' association, which had taken up and compared manufacturing and selling costs of the various sizes and kinds of threshing machinery, reported a schedule of net "amounts" below which, in the opinion of the committee, threshing machines could not be manufactured and put upon the market except at a loss. Twenty-four sizes of separators were listed and 14 sizes of tractor engines, while "amounts" were also shown for weighers and baggers, self-feeders, horse powers, attached swinging stackers, steel tanks, etc. Details of the method used in determining these amounts were not explained. This schedule of net "amounts" suggested in 1904 was readopted at the annual

meetings in 1908 and again in 1909 and 1910, with slight modifications. In 1909 one or two concerns which were reported to have engaged in considerable price cutting were asked to reconsider their prices.

The National Association of Thresher Manufacturers has also kept up an agitation against price concessions involved in the practice of receiving old machines, in excess of their value, in payment for new machinery, and also against concessions made by paying freight charges, which the association believed should be paid by customers. It is claimed that this agitation at the association meetings has been productive of great improvement from the standpoint of the members. Thresher manufacturers generally use high list prices with high commissions. The association recommends the adoption of lower list prices and lower commissions, corresponding more nearly with the prices actually received and commissions actually paid. It is urged that this would not only result in the establishment of more satisfactory relations with dealers, but would also bring about greater stability in prices.

The selling price of the pneumatic stacker (which is an important part of the threshing outfit) is fixed by the license contracts of the different manufacturers with the Indiana Manufacturing Co. (See Chap. V.)

## CHAPTER III.

### EFFORTS OF MANUFACTURERS' ASSOCIATIONS TO REDUCE COSTS.

#### Section 1. Introduction.

Legal and practical limitations upon the activities of associations in respect to prices have caused much attention to be given by the associations to the possibilities of securing increased profits by reducing costs. The efforts of the manufacturers' associations in this direction have been mainly to reduce factory costs through the adoption of standard specifications for materials; to secure the lowest possible freight rates; to reduce the costs of fire insurance; to limit credit risks and improve the financial condition of dealer-customers; and to reduce or eliminate various items of expense incident to the method of selling goods through retail dealers. The federated associations of dealers have also taken an active interest in some of these matters, and at times they have cooperated with the manufacturers' associations, especially in respect to freight charges and the reduction of selling costs. These topics are discussed in some detail in succeeding sections of this chapter.

So far as shown by the available records, the manufacturers' associations have made no systematic effort to regulate one of the principal costs of manufacture, namely, wages paid to employees. Little or no effort appears to have been made to aid members having differences with labor organizations.

In 1901 the handling of labor difficulties was proposed as a field of activity for the National Association of Agricultural Implement & Vehicle Manufacturers, but the executive committee decided that it could not see its way clear to take up the subject. Plans of strike insurance had been discussed, but apparently with the same result. The passage of legislation to regulate the hours of labor has been opposed as class legislation, and in March, 1911, the members of the executive committee of the National Implement & Vehicle Association voted that the association should join the National Council for Industrial Defense<sup>1</sup> if it could be done without financial obligation,

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<sup>1</sup> This organization was established by the National Association of Manufacturers, the object, as stated by its officers, being to provide "a separate and specific medium through which constant, watchful attention might be given to the matter of vicious class legislation which is ever being urged in the Federal Congress by organized labor." (Page 3841, vol. 4, Hearings on Lobby to Influence Legislation, pursuant to S. Res. 92, 63d Cong., 1st Sess.)

but subsequently affiliation with this organization was left to each member to determine for himself. Moreover, the reports of the committee on State legislation have at times referred adversely to bills introduced in various State legislatures fixing hours of labor, and in February, 1912, the members of the association were urged to write their Senators and Representatives in Congress in opposition to a bill providing for an eight-hour day for work done for the United States, in view of the effect its passage would have as a precedent.

In October, 1912, the report of the committee on national legislation also referred to the status of several bills that had been introduced in Congress in the interest of labor, including the bill providing for the eight-hour law, anti-injunction bills, and bills relating to trial by jury in contempt cases. It was recommended that members give strict attention to such matters and call the attention of the committee to any bills of interest to manufacturers in the lines represented by the association.

The members of the National Implement & Vehicle Association have also advocated the passage of legislation to promote vocational training—a measure also favored by the National Business League of America. (See p. 91.) One phase of the relations between manufacturers and their employees that has received consideration in recent years is the matter of industrial indemnity legislation, discussed in Chapter IV.

## Section 2. Standardization of materials.

**NATIONAL WAGON MANUFACTURERS' ASSOCIATION.**—Efforts to reduce costs by the adoption of common or standard specifications for materials purchased in the rough or in finished form may be said to have been systematically begun in 1904 by the National Wagon Manufacturers' Association, which had just been reorganized as the result of the report of a committee appointed to devise a plan for the improvement of the business. (See p. 28.) It was asserted that substantial savings could be effected if uniform specifications could be established and the use of materials of special dimensions be discontinued. The purchase of materials for members was decided to be entirely outside the province of the association. The secretary was instructed, however, to get in close touch with mills producing various kinds of wood stock purchased by wagon manufacturers in the rough and to investigate and report what the standard dimensions for such stock should be. Furthermore, the association recommended standard heights for wheels and standard lengths and widths for tires for adoption as soon as the shop conditions at individual factories would permit.

An advance in the price of steel bars caused a meeting of a number of implement and vehicle manufacturing concerns to be held in March,

1906. At this meeting a committee, composed of representatives of some of the largest interests in various branches of the industry, was appointed to confer with the steel manufacturers. This resulted in an agreement by which the latter made a special price of \$1.40 per hundred pounds on 150,000 tons of steel bars to the manufacturers of implements and vehicles. Later in the year a standing committee on materials was appointed by the National Association of Agricultural Implement & Vehicle Manufacturers, after a special committee had made a report on the cost of iron and steel.

In the meantime the members of the farm-wagon association were confronted with unsatisfactory conditions in securing bent-wood stock used for wheel rims, hounds, etc. They felt that prices had been arbitrarily advanced to an unwarranted extent. To reach a better understanding with producers, a conference was held with representatives of the Vehicle Woodstock Co., a concern which marketed the products of a large number of the bending factories. The result of the conference was unsatisfactory to the wagon manufacturers, and in the latter part of 1906 or early in 1907 several members of the farm-wagon association formed a mutual company, known as the National Wagon Stock Co., to supply their own bent stock. The wagon manufacturers' association also made a protest to an association of the spoke manufacturers against existing prices of spokes, pointing out that if prices were advanced the wagon makers would be forced to produce their own supply of spokes.

To induce competition among the producers of various kinds of wagon wood stock, the members of the wagon-makers' association decided to establish a bureau of the association to encourage as many mills as possible to take up the cutting of wagon stock. In the early part of 1907 several thousand copies of a letter were sent out to mills and shippers of hardwoods and wagon-box materials, requesting each to return a sheet listing materials for sale, including axles, bolsters, reaches, hubs, bottom boards, poles, felloes, bent hounds, rims and poles, spokes, eveners, singletrees, neck yokes, plank, and box boards. It was planned to send out a similar inquiry monthly, the wagon manufacturers being furnished with a compilation of the replies in order to aid them in supplying their wants. In order that the seller should come in contact only with actual buyers, it was proposed that the various members of the wagon association should advise the secretary of their needs once a month or oftener, so that he could direct them where they could be supplied.

The secretary, in explaining the conditions which had led to the establishment of this material bureau, asserted that as a large demand for wagon stock existed among the wagon manufacturers, with the mills, brokers, and lumber associations against them, the only way to meet the situation was by the same kind of an organization

that had brought the wagon manufacturers success in the selling field. Accordingly, as a help in the work of the material bureau, he proposed a conference of the buyers of the different companies belonging to the wagon association to discuss prices, grades, contracts, etc., and, in this connection, he pointed out that a dollar saved in buying stock was surer profit than a dollar advance in the price of wagons. Each buyer was asked to come to the proposed meeting with a sheet showing rough and finished dimensions in order to determine what sizes should be declared standards, the adoption of which would induce mills cutting to such dimensions to accumulate stocks marketable at any time from which the wagon manufacturers could draw at will. Furthermore, certain specified dimensions were adopted as standard for singletrees and neck yokes, common parts in which there was little individuality, in the belief that if manufacturers of such parts would be induced to turn them out in large quantities the price to the wagon manufacturers would be reduced.

One of the most important results of the conference of wagon buyers, held in September, 1907, was a proposal to bring about the adoption of certain grading and inspection rules to govern the purchase of hardwood lumber. As a result of this proposal, grading and inspection rules for wagon stock were adopted by agreement with the National Hardwood Lumber Association and other hardwood lumber associations. In February, 1909, a conference was held between committees representing the wagon manufacturers' association and the spoke manufacturers' association, at which certain grading and inspection rules for white-oak spokes were agreed upon, to be submitted to the respective associations for approval.

In the meantime, to afford the members of the wagon association a quick and effective means of getting quotations on materials, the secretary issued a pamphlet in June, 1908, containing the names of producers of different kinds of wagon-wood stock intended for the exclusive use of the members of the wagon association. In September, 1908, a similar list was issued of the names of the manufacturers of various iron and steel parts entering into the construction of farm wagons.

Other methods of reducing the cost of wagon materials proposed in 1908 were the substitution of square front-hounds for bent front-hounds on all drop-pole 2-horse wagons, as fast as the shop conditions of each member would permit, and also an attempt to induce the various iron and steel mills to carry stocks of tires provided standard lengths were adopted by the wagon manufacturers' association. Members were later urged to conform to this recommendation and also to adopt standard heights for bolsters. It was also suggested that if the wagon makers could adopt a standard form of oval or round-edge tire the iron and steel mills in making their rolls could be



assured that one form would be satisfactory to all wagon manufacturers.

In a bulletin referring to the work of the material bureau issued in the spring of 1909 the secretary claimed that the adoption of standard dimensions, of grading and inspection rules for wagon stock, and of grading and inspection rules for oak wagon-spokes, which had been brought about by the bureau, were worth all that the association work had cost, and he expressed the belief that the value of the bureau would be better appreciated when stock became more difficult to secure as the wagon manufacturers came into the market for materials.

The operations of the material bureau do not appear to have been entirely satisfactory to producers, one of whom reported that certain other producers had expressed the opinion that the object of the bureau was to get material cut to the size desired by the wagon manufacturers, who would offer such prices as they pleased, knowing that the material could not be marketed elsewhere. The secretary of the wagon association in calling the attention of members to this communication stated that he had replied that there was no recognized market regarding price and that the operations of the bureau did not hamper the buying ability of any of the members of the wagon association. He pointed out to the members of the association that if conferences of the buyers were held he believed that better conditions would be created in the wagon-stock market, because, if the wagon manufacturers could figure on such materials as plow and implement makers figured on iron and steel, the interests of the wagon manufacturers would not be injured and trade jeopardized by the constant fluctuation of prices.

An improvement in the trade outlook in 1909 caused the members of the wagon association to approach the market cautiously to avoid forcing the prices of materials upward. It was felt that, since the action of traveling buyers sent out by different wagon manufacturers in bidding for material had much to do with general advances in prices, it would be of considerable advantage to furnish these buyers with accurate information as to prevailing prices. The secretary had already been instructed to formulate a plan for gathering, tabulating, and distributing information concerning the prices and market conditions of wood materials. He suggested that a meeting of the buyers could be held several times a year to devise ways and means by which individual manufacturers could be better able to cope with various associations and organizations that were being formed among the producers of materials. He asserted that there was no reason why, through the interchange of information, many dollars of profit could not be added by the savings in more intelligent purchasing. The matter was thoroughly discussed at the annual meeting of the

association in November, 1909, and the secretary's suggestions were approved.

The proposed meeting of the buyers was held at Chicago in December, 1909. The secretary of the association was directed to gather and tabulate information regarding the prices paid by members for a few standard sizes of materials, and also the amount of stock on hand. A bulletin containing this information was issued to members in February, 1910. Attention was called to the fact that in the large majority of cases the prices ranged very close together. The secretary expressed the hope that it might be possible to keep the prices from taking a wider spread by making a similar comparison at frequent intervals. A short time before a bulletin had been sent to the mills and producers of wagon stock relative to the plans of the material bureau for 1910, in which it was stated that the competition among wagon manufacturers for suitable material was as free and open as it had ever been and was likely to continue so, as it was no part of the object of the material bureau to establish conditions that would enable the wagon manufacturer to secure control over the prices of supplies and materials. He pointed out that while the wagon manufacturer was benefited by the larger field in which to buy materials when stock was cut to standard dimensions, yet there had been no overproduction, and stocks had been sold at fair prices, although the demand had been light. He also pointed out that before the adoption of standard specifications nearly every factory had its own specifications, which restricted the market on stock cut to such dimensions.

An effort was made to enlist the aid of several wagon-manufacturing companies outside the association in the support of the material bureau from whose work they had benefited. In presenting the advantages of the bureau to these manufacturers, stress was laid upon the advantage that would result if a common or general market price for wagon material of standard dimensions could be established, or published in a way that would be generally understood. Attention was called to the fact that manufacturers of furniture and chairs by standardizing their requirements had been able to establish a sort of common value between the mill and the consumer. Several of the wagon companies outside the association expressed a willingness to contribute to the maintenance of the material bureau, but some refused to pay as much as requested.

In the meantime the successful result of the efforts toward standardization led to the suggestion that the movement be carried further. Revised grading and inspection rules for wagon box-boards were also recommended for adoption to the National Hardwood Lumber Association and the Hardwood Manufacturers' Association. An agreement in regard to this revision was reached with the National

Hardwood Lumber Association in June, 1910. Members of the wagon association were requested to use these rules in purchases subsequently made in order to make them effective at once.

In September, 1910, it was pointed out that every important item of wood materials for farm wagons had been standardized except hubs and hounds, and the fact that each wagon manufacturer insisted upon a special pattern of hub made it difficult for the hub manufacturer to buy his raw materials or accumulate finished stock without first having orders and specifications on hand. It had been suggested that if three different types of hubs could be adopted as standard a large variety would be cut out and enable the hub manufacturer to turn out hubs for the open market, which it was thought was the only thing that would make competition in that line. Furthermore, the secretary was directed to notify all interested in the California trade that bolsters of 42 inches should be considered as standard and the manufacture of bolsters of 44 inches should be discontinued.

At about this time the secretary reported that 22 of the 27 members of the association had either abandoned the use of bent-wood front hounds as recommended by the association (see p. 60) or were in process of doing so. He expressed the belief that the influence of the majority would undoubtedly accomplish the completion of the change.

In the latter part of 1910 the secretary of the wagon association pointed out that manufacturers felt that, in being obliged to pay prices which were the same as Pittsburgh prices, plus Pittsburgh freight rates, on steel bars shipped from points hundred of miles nearer the purchaser, they were paying an arbitrary tax in addition to prices which already included at least a fair manufacturing profit. He suggested that if all the consumers were of like mind there were several ways in which a readjustment of basing points could be effected. The matter was discussed by the members of the National Wagon Manufacturers' Association and by the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers, but the records do not show that any definite action was taken beyond the adoption of resolutions recommending that individual members use their influence to eliminate the additional freight charge, and that the materials committee of the National Association of Agricultural Implement & Vehicle Manufacturers urge the steel manufacturers to base steel prices upon Chicago, Gary, and other points, as well as Pittsburgh.

**NATIONAL PLOW ASSOCIATION.**—During the four years of its existence, from April, 1907, to December, 1910, the National Plow Association did not attempt to maintain a material bureau like that of the wagon manufacturers' association. No attempt appears to have

been made to bring the plow manufacturers and the producers of materials used by them into communication, but some efforts were made to encourage the former to adopt standard specifications for certain common parts. (See Exhibit 18, p. 282.) Soon after the plow association was organized an investigation by the secretary had disclosed the fact that the mills were rolling about 40 different sections of plow beams, and from 100 to 125 different sizes. It was pointed out that if the number of sections could be reduced to four or five, and if several of the principal steel mills could be induced to equip themselves to turn out these standard sections, it would place the plow makers in much better position than to be tied up with one or two mills who had rolls for special sections.

Another inquiry showed that 33 different patterns of neck yokes were in use among the members, many of whom purchased finished neck yokes. The secretary suggested that if this number could be reduced the mills could carry a stock of rough and finished patterns, probably resulting in lower costs and selling prices. Early in 1909 a standard neck yoke was adopted for sulky and gang plows, and also for walking, riding, and disk cultivators and listing plows. It was agreed that all members should adopt the patterns recommended as early as possible.

Instructions were also given to the secretary to take up the question of standardizing certain other common parts, such as poles, singletrees, steel seats, harrow teeth, etc. The work of standardization did not progress as rapidly as expected. In urging members to cooperate in the movement the secretary declared that, even if the saving in a single piece was small, the saving to one member on a year's consumption of harrow teeth alone would more than pay his dues in the association.

In the latter part of 1910 the secretary issued a bulletin to members, asking their views on the subject of grading and inspection rules for yellow-pine pole stock. The replies showed that, while all members required the same quality of material, no two specifications were alike. It was the consensus of opinion among the members that uniform grading and inspection rules were much needed and would benefit both the producers and consumers, and, after discussing the matter, it was finally concluded to refer the matter to the National Association of Agricultural Implement & Vehicle Manufacturers, as much of this class of material was used by a large class of manufacturers not members of the plow association, who were members of the National Association of Agricultural Implement & Vehicle Manufacturers. Nothing further seems to have been done along this line until the matter was taken up by the plow and tillage-implement department of the National Implement & Vehicle Association in May, 1912. (See p. 66.)

**NATIONAL IMPLEMENT & VEHICLE ASSOCIATION.**—The material bureau, which had been established by the National Wagon Manufacturers' Association, was continued along similar lines by the National Implement & Vehicle Association. It was decided, however, to confine its activities for a time to gathering information relative only to wood materials, including hard and softwood lumber and dimension stock. It was thought that if the work of the bureau proved satisfactory in regard to wood materials its activities could be extended to other lines if desired. The matter of price was left to the mill and customer. As a part of the work of the bureau it was also decided to continue efforts of the wagon and plow association to aid members in disposing of surplus materials or machinery that had accumulated from various causes. From time to time members are requested to list such material as they may have for sale or which they may desire. A compilation is made from these lists and sent to all members.

The executive committee of the National Implement & Vehicle Association abolished the standing committee on materials, but the discussion of matters pertaining to the cost of materials continued to engage the attention of the members of the special trade departments of the association.

At a meeting of the farm-wagon department in April, 1911, materials was one of the subjects discussed. One member called attention to the fact that the existing price for bois d'arc<sup>1</sup> felloes was resulting in a loss to every manufacturer, and that it was apparent from investigations made that the supply of this material was approaching exhaustion. At this meeting attention was called to the closing of the business of the National Wagon Stock Co., of Little Rock, Ark. (see p. 59), whose plant had, it was claimed, been the means of protecting the wagon manufacturers of the United States against exorbitant and organized advances in the prices of bent rims and other wagon material for the four preceding years, and it was stated that a proposition was being considered whereby a company at Little Rock was to take over the machinery and equipment of the National Wagon Stock Co. and continue the manufacture of bent rims provided they could be assured of the patronage of the wagon manufacturers. A resolution was adopted pledging the support of the wagon manufacturers present at the meeting, the prices to be adjusted by a committee of the wagon makers. In November, 1912,

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<sup>1</sup> Under date of Aug. 15, 1911, the secretary of the National Implement & Vehicle Association issued a bulletin stating that a report of the Forest Service of the United States Department of Agriculture on the subject of bois d'arc or osage orange had been published under the direction and at the expense of the farm-wagon department of the National Implement & Vehicle Association, and that a copy would be mailed to each member within a few days.

however, it was decided to sell the property of the National Wagon Stock Co.

A meeting of the buyers of four of the principal companies<sup>1</sup> manufacturing farm wagons was held in November, 1913, to consider the possibility of improvement in methods of buying. The record of this meeting states that no definite action was taken, but it was decided that each of those present should study ways and means and report suggestions at the next conference that should be held.

At a meeting of the plow department of the National Implement & Vehicle Association in May, 1911, the secretary was instructed to take up the matter of standardization of plow-beam billets with several steel companies and report. In May, 1912, the members of the plow department, in considering a suggestion of the Yellow Pine Manufacturers' Association that the adoption of grading and inspection rules for yellow-pine pole stock might be of mutual interest, directed the secretary to ascertain the views of the members of the plow department upon this matter. The results of the secretary's investigations are not shown in the records of the association.

In the early part of 1913 the plow department held a meeting at which special consideration was given to the material situation with reference to its probable effect on selling prices. It was thought that contracts for materials should cover a period of 12 months ending July 1 each year. At a meeting in May it was shown that the market price of steel remained unchanged and that the producers were apparently determined to maintain prices regardless of the circumstances surrounding the plow and tillage-implement business, which the plow manufacturers believed deserved consideration in order that their volume of business and that of the producers should not be affected adversely. It developed that comparatively few of the manufacturers had bought and that a number of the largest of them were not inclined to buy under existing conditions. This situation was evidently a reason for a suggestion of the secretary of the association to the executive committee of the association, which was as follows:

We believe also that this association represents such a large consumption of common materials, i. e., iron and steel, that by properly directed cooperation much benefit might be obtained in correcting some of the conditions under which we contract and are supplied.

The desirability of creating a standing committee or department of purchasing agents of concerns belonging to the National Implement & Vehicle Association was brought up in November, 1913, but it was thought that the matter should be referred to the executive

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<sup>1</sup> These companies were the John Deere Wagon Co., the International Harvester Co., the Studebaker Corporation, and the Mandt Wagon Co. (Moline Plow Co.)

committee of the association for consideration. No record is available to show that any steps have been taken to establish such a department.

### Section 3. Charges for transportation.

The manufacturers' associations have been active in promoting the interests of their members in respect to freight rates and rules governing the transportation of goods. In these matters they have often received considerable assistance from the dealers' associations. When the National Association of Agricultural Implement & Vehicle Manufacturers was organized, in 1894, it was proposed that the executive committee should look after the matter of railroad freights and transportation charges. A committee on freight and classification, to work in the interest of members in respect to anything affecting the cost of freight transportation, was one of the first standing committees to be created. It was recognized that the combined influence of the members would accomplish much more effect in negotiating with the railroads than could be accomplished by the individual manufacturers.

One of the first matters taken up was to petition Congress for the passage of a law requiring railroads to adopt a uniform freight classification throughout the United States. Negotiations with the Western Classification Committee in the latter part of 1894 resulted in an agreement that the latter would not make certain proposed advances. In November, 1896, however, the freight committee reported that an unsuccessful effort had been made to get the Western Classification Committee to make reductions in certain articles that had recently been advanced by changes in classification. The committee pointed out that there was still recourse to specific or commodity rates.

From this time on, similar efforts continued to be made by the National Association of Agricultural Implement & Vehicle Manufacturers and the National Wagon Manufacturers' Association to induce the various railroad classification committees to take action favorable to the implement and vehicle manufacturers, or to refrain from putting into effect rates or rules that threatened to affect the manufacturers adversely, such as changes in rates, classifications, and rules governing minimum carload weights, car demurrage, rates on mixed shipments in carload lots and on damaged goods returned for repairs. Efforts were made for the freight committees of the two associations to cooperate more closely with each other, especially after 1901, when the members of the National Association of Agricultural Implement & Vehicle Manufacturers decided to employ a permanent secretary experienced in traffic matters.

After the National Plow Association was organized, in 1907, a freight transportation committee was created, but this committee does not appear to have been especially active, due probably to the fact that many of the members of the plow association also belonged to the National Association of Agricultural Implement & Vehicle Manufacturers.

In July, 1908, the chairman of the committee on freight and transportation of the National Association of Agricultural Implement & Vehicle Manufacturers was instructed to file complaint with the Interstate Commerce Commission, protesting against proposed general advances in rates. He was authorized to join or cooperate with any organization represented for that purpose. The records of the association do not show that any action was taken along this line until May, 1910, when a conference of shippers of different commodities, at which the National Association of Agricultural Implement & Vehicle Manufacturers was represented, was held at Chicago, and a committee appointed to address a letter to each of the presidents of eastern railroad lines suggesting that the matter of an advance in rates be referred to the Interstate Commerce Commission. A meeting of the various shipping interests to be held at Omaha was called to consider proposed advances in rates in western trunk-line territory.

Subsequently a truce was arranged whereby the railroads agreed to withdraw temporarily the proposed increases pending adjudication by the Interstate Commerce Commission. The shippers' committee representing various commercial interests, appointed a special committee of 12 members, including the secretary of the National Association of Agricultural Implement & Vehicle Manufacturers and the freight traffic manager of the International Harvester Co., to go to Washington to represent the interests of the shippers. Hearings were held by the Interstate Commerce Commission. Prior to one of these hearings held at Chicago, the members of the subcommittee of the shippers' committee had preliminary meetings and invited the cooperation and interest of every shipper. The National Association of Agricultural Implement & Vehicle Manufacturers was active in its support of this committee, furnishing money and the assistance of its officers. Finally, in February, 1911, members of the National Implement & Vehicle Association were notified by the secretary that the Interstate Commerce Commission had decided these cases, known as the Eastern and Western freight cases, against the carriers. It was pointed out that during the fight the association had applied its energies to problems confronting the implement and vehicle lines, although cooperating with shippers of other commodities in the main issue.

In the meantime members of the National Association of Agricultural Implement & Vehicle Manufacturers were notified that the secretary would assist them in procuring refunds of high charges that had



been made. The matter of establishing a bureau in the secretary's office to handle freight claims for members was considered, and the latter was instructed to write all members having no regularly organized traffic department to ascertain whether he could render assistance in respect to claims arising in transportation matters. There was also considerable cooperation in respect to freight matters between the National Federation of Retail Implement & Vehicle Dealers' Associations and the National Association of Agricultural Implement & Vehicle Manufacturers. In 1909 it was reported that these two organizations were working together for an improved bill of lading.

When the National Implement & Vehicle Association was organized, in 1911, the former secretary of the National Association of Agricultural Implement & Vehicle Manufacturers was employed as freight traffic manager to devote his entire time to the traffic work of the association, continuing the activities of the National Association of Agricultural Implement & Vehicle Manufacturers in this respect. It had become customary for the earlier association to issue bulletins and circular letters from time to time, advising members not only of proposed traffic changes but also of other matters affecting the cost of transportation. This practice was continued by the National Implement & Vehicle Association. One of the first bulletins issued by the freight traffic manager of this association related to a proposed change in the rules of the western trunk lines governing the storage of implements in transit. Soon afterwards members of the association were requested to express their views on a bill to regulate express companies, which had been introduced in the Illinois Legislature. These are merely illustrative of various topics mentioned in the bulletins and circular letters of this department of the association.

At the annual convention held at Chicago in October, 1911, a comprehensive report by the freight traffic manager, who was also chairman of the freight transportation committee of the association, called attention to various phases of the transportation problem and the manner in which the work of the department was conducted in looking after the interests of members. It called special attention to the facilities enjoyed by the association for securing information regarding important traffic changes and to the importance of auditing freight bills, and in this connection stated that during the period from January 1, 1911, to October 11, 1911, the department had adjusted overcharge and loss and damage claims for members aggregating about \$9,700.

Later the secretary of the association was instructed to urge the freight traffic department to endeavor to interest each member in some

phase of the work of that department, and it was reported that at that time about 60 per cent of the members were actively cooperating.

The annual report of the freight traffic department, at the convention held in October, 1912, called attention to changes in the various railroad classifications during the preceding year. An interesting feature of the department's work was shown in its report of negotiations with the Southern Classification Committee. The report stated that the latter committee issued a revised classification embodying a large number of drastic changes to become effective June 17, 1912. After analysis by the freight traffic department of the National Implement & Vehicle Association, the committee was notified that the proposed changes were not acceptable to the members of the association, and it was the intention of the association to ask the Interstate Commerce Commission for a suspension of the changes pending an inquiry as to their reasonableness. The committee immediately notified the association that it did not desire a contest over the matter and that they would gladly meet representatives of the association in conference to discuss the various objectionable items. Several conferences were held, and as a result the committee promised to withdraw the objectionable changes.

The report also stated that the work of the department had greatly increased and that members were depending upon it more and more for assistance in handling their minor difficulties and still more largely in resisting arbitrary action on the part of the carriers in large issues, such as classifications and tariffs, where individual resistance or effort would avail but little. The report gave members certain specific advice to assist them in their transactions with carriers.

As to the value of a cooperative association in freight matters, the report said:

The appeals taken to the Interstate Commerce Commission, the many times we have appeared before State and interstate railroad bodies and our constant conferences with them is sufficient evidence of what it is possible to do for a cooperative organization along these lines. The value of our representing a large number of shippers of any one commodity can not be over-estimated, for today the Interstate Commerce Commission, State commissions and the railroads themselves are regarding the wishes and claims of the majority of shippers rather than individuals or shippers having a large volume of business. In fact, there is a strong leaning, and very properly too, in endeavoring to determine what will be the greatest good to the greatest number; therefore, I say that this work of our association needs no further justification than showing that it has now and will continue to have an increasing beneficial effect in bringing about a greater measure of square deal between carrier and shipper as time goes on.

At the close of the convention the association adopted the following resolution :

Whereas, there are no problems confronting the manufacturer of greater importance today than those of freight transportation,  
*Be it resolved,* That special attention be given all of the recommendations submitted in the report of the freight transportation committee.

Another resolution adopted read as follows :

Whereas, sufficient and efficient transportation is necessary to the prosperity of the whole country,

*Therefore, be it resolved,* That we favor such laws and regulations as will give transportation companies sufficient earnings to meet all necessary cost of maintenance and operation and to provide all facilities required by the growth of communities, and,

*Be it further resolved,* That we favor cooperation between the transportation companies, producers and shippers' associations to promote such results.

At the annual convention of the association in October, 1913, the freight traffic manager of the National Implement & Vehicle Association reported that during the 11 months preceding his department had received over 23,000 freight bills for auditing, of which between 10,000 and 11,000 were for \$8 (the minimum amount checked by the department) or more. Overcharges, amounting to \$1,578.07, were discovered. Claims to the amount of nearly \$12,000 had been adjusted during the year ended October 1, 1913. He also stated that during the preceding 11 months 41 bulletins, giving information relative to all important changes in traffic matters affecting members, had been issued. He called attention to the rulings of the Interstate Commerce Commission on changes that had been proposed in the Western Classification, and also to other matters of freight classification in which the members of the association were interested. He asserted that the association in cooperation with others had been able to prevent the cancellation of half rates applying on returned shipments in Minnesota, North and South Dakota, Illinois, Iowa, Kansas, Nebraska, and two or three other States. In addition, he advocated that hearings before classification committees should be held at points accessible to shippers and, furthermore, that the making of rates should not be done behind closed doors, or at the dictation or suggestion of any faction or set of shippers. The report also specified various matters regarding shipments, etc., to which members were advised to give their attention. The report concluded by urging the support and cooperation of members in the work of the freight traffic department, and stated that the aim of that department was to assist the traffic manager of each member.

In October, 1911, the traffic manager of the National Implement & Vehicle Association explained to delegates to the dealers' Federation

that the Western Classification Committee had voted to eliminate binder twine from carload shipments of implements and to raise the minimum carload weight to between 24,000 and 30,000 pounds, depending upon the length of the car. The Federation adopted a resolution condemning the proposed changes as an unjustifiable attempt on the part of the railroads to increase their revenue, also asserting that such a change would be disastrous to small dealers, compelling them to overload or pay local freight on practically all their goods, resulting in increased cost to the farmer.

In January, 1912, the freight traffic manager advised members of the National Implement & Vehicle Association in regard to the changes proposed by the Western Classification Committee. Among the changes specified was that taking binder twine out of the agricultural-implement classification and placing it under the head of cordage. Accordingly, the association filed a petition with the Interstate Commerce Commission, asking for the suspension of items objectionable to members of the association. A hearing was held before the suspension board of the Interstate Commerce Commission, at which the National Implement & Vehicle Association was represented by about 50 persons, including members of its freight transportation committee, its attorneys, representatives of companies belonging to the association, representatives of the dealers' National Federation and constituent organizations, and witnesses drawn from outside. In a bulletin to members the secretary stated that the outcome of the matter was most important, for, if made effective, the increased freights, expenses, and inconveniences would amount to many hundreds of thousands of dollars, and there was hardly a member of the National Implement & Vehicle Association that would not be affected if the privilege of mixing implements should be disturbed.

The Interstate Commerce Commission extended the date on which the new classification should become effective, and, in April, 1912, the secretary, attorney, and traffic manager of the National Implement & Vehicle Association, and the secretary of the dealers' National Federation attended a hearing on the new classification held by the Interstate Commerce Commission in Washington. Early in January, 1913, announcement was made that the Interstate Commerce Commission had rendered its decision in the case, supporting many of the claims of the association and holding that the railroads must grant the mixing privilege, but consenting to the placing of binder twine in the cordage classification. The secretary of the National Implement & Vehicle Association, in commenting upon this decision in a general letter to members, characterized it as a victory for that association. In this letter he said, in part:

In fact, while this controversy was pending, both the Official and Southern Classification Committees realizing that such

changes could not be made arbitrarily, have used more pacific means, and by consultation with manufacturers and organizations representing certain lines, differences have been equalized rendering the suspension of either the Official or Southern Classifications unnecessary, and has led the Commission to suggest that hereafter in proposing classification changes the shippers be given timely notice and afforded an opportunity to attend a fair and impartial hearing in order that these adjustments may be amicably made, if possible.

This contest with the carriers over Western Classification #51 has cost money and time, requiring no less than five hearings, but by the presentation of a united front and the constant cooperation of our members the effort represents, we believe, the best organized resistance the carriers have met with, and has thoroughly convinced them and impressed the Commission that not only was there merit in our contentions, but that we were determined justice should be done. It is improbable that we shall again have to go into a similar contest; in fact, we are constantly securing adjustments and changes through conferences with the carriers that heretofore would have been difficult, if not impossible.

The Bulletin of the dealers' Federation, in commenting on this joint victory of the manufacturers and dealers, quoted a transportation man who had attended all the hearings, as follows:

You implement men got about everything you were after, but some others did not fare so well. Your being so well organized accounts for it.

A general advance of 5 per cent in rates proposed by the eastern railroads was called to the attention of the members of the National Implement & Vehicle Association in a bulletin issued in October, 1913, and members were asked to express their opinion as to whether or not the association should oppose the advance proposed. Shortly afterwards members of the association were notified that it was felt that the association should protest this advance in rates until it was demonstrated as necessary and just, not overlooking the fact that the markets of the members of the National Implement & Vehicle Association were now open to the world and that manufacturers in Canada would invade the trade as rapidly as possible, their progress being determined to a large extent by the freight rates. No record is available to show what further steps were taken in this matter by the National Implement & Vehicle Association.<sup>1</sup>

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<sup>1</sup>The dealers' associations have also devoted considerable attention to the matter of freight transportation charges. Some of these activities have been undertaken in cooperation with the manufacturers' associations, as already shown. One of the most important phases of this work that dealers have attempted has been the installation of facilities by which the freight bills of its members might be audited and overcharges refunded to their members. In March, 1910, the secretary of the National Federation pointed out that dealers were losing a good deal of money each year from this cause. He suggested that a freight auditing bureau might be established. No active steps to install such a bureau appear to have been taken until March, 1912, when it was announced that the Western association had engaged an auditor and that the work of auditing freight

#### Section 4. Fire insurance.

At a meeting of the National Wagon Manufacturers' Association in 1880 the question of the feasibility of a mutual insurance company was discussed but apparently without result. The subject does not appear to have been brought up again until 1906, when the secretary of the wagon association issued a bulletin calling attention to the organization of the Implement & Vehicle Manufacturers' Fire Insurance Co. under the guidance of a special committee of the National Association of Agricultural Implement & Vehicle Manufacturers. At the annual meeting of the latter association in September, 1905, the executive committee had been empowered to organize a mutual fire insurance association on lines approved by the committee, and soon after the convention of the National Association of Agricultural Implement & Vehicle Manufacturers in 1906 the incorporators of the Implement & Vehicle Manufacturers' Mutual Insurance Co. met at Indianapolis and completed the organization of the company as an enterprise distinct from the association largely to avoid the necessity of accepting undesirable risks from members who otherwise might feel entitled to special consideration on account of their membership in the association. The new company became affiliated with the National Association of Factory Mutual Insurance Companies. Later, at a meeting of the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers, in November, 1908, a recommendation of the association that a committee confer with the National Fire Protective Association to evolve and standardize all implement factories was referred to the committee on insurance. The records do not show whether the proposed conference was held, but, in February, 1909, the secretary of the association in following instructions of the insurance committee requested members to furnish certain statistics which, when tabulated, might be used to secure a reduction in the insurance rates.

Early in 1911 the Implement & Vehicle Manufacturers' Mutual Fire Insurance Co. of Indianapolis reinsured its risks and went out of business. At the annual convention of the National Implement & Vehicle Association in October of that year the committee on fire insurance pointed out that the real basic principle for discussion of fire insurance was fire prevention, and members were advised to "fight the risk and not the rate." Soon afterwards the secretary

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bills was just getting under way. Other State associations were quick to take similar action, and at the annual meeting of the National Federation in October, 1913, it was reported that freight auditing bureaus had been established for 11 of the constituent associations, and that their aggregate cash collections to that time had amounted to over \$10,000. It was stated that this tangible benefit had enabled these associations to increase their membership very materially. A committee of the Federation was appointed to consider the practicability of concentrating the freight auditing service in the hands of the Federation.

of the association issued a bulletin calling attention to the saving in the cost of insurance that could be effected if members would equip their factories with sprinklers and other fire-preventing devices. In this connection, he advised members that there were a number of concerns which made a business of equipping plants with these safety devices, furnishing all necessary funds and taking as their remuneration the saving effected in the cost of insurance.

In the summer of 1912 the National Implement & Vehicle Association started a movement to determine the interest of members in the establishment of an insurance department in the association. After investigation, the insurance committee of the association decided that a more practical plan would be to engage the services of a large and responsible firm of insurance brokers, and, in February, 1913, an agreement was entered into with one of these concerns whereby the latter agreed to cooperate with the members of the association in all matters pertaining to the various classes of insurance and to make inspections of all plants when desired. Members were requested to correspond with these brokers and give all information requested without reservation. At the annual meeting of the implement manufacturers in the latter part of 1913 it was announced that these arrangements had already effected savings amounting to some thousands of dollars, the saving to some members being in excess of their annual dues in the association. It was also announced that this particular feature of the association's activity had resulted in securing the membership of two large concerns with which the secretary had been negotiating. The insurance committee pointed out that it should not be forgotten that the association could help its members, not only in fire-insurance matters but also in respect to floater, liability, and boiler insurance. The members of the association were addressed by an insurance expert on the subject of fire protection and the expert inspection of risks and policies. He emphasized the desirability of fire prevention and explained that the savings in premiums in three to seven years would cover the cost of installing automatic sprinklers and other devices to prevent fire. He pointed out that the matter of inspections was often of more interest than the insurance rate.<sup>1</sup>

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<sup>1</sup> Dealers have also been interested in plans to reduce the cost of fire insurance to their members. A movement to furnish dealers with fire protection at lower costs than paid to regular insurance companies led to the adoption of a plan of reciprocal insurance in 1897 by the members of the Western Retail Implement & Vehicle Dealers' Association, composed of dealers in Kansas and Missouri. An organization known as the Reciprocal Underwriters was formed, following a plan that had been adopted by the lumber dealers' association of Missouri and Kansas. The Reciprocal Underwriters adopted the established rate made by the old-line insurance companies, refunding at the end of each fiscal year that part of the premiums that had not been paid out for losses or expenses.

Other dealers' associations began to take an interest in the subject of mutual insurance, largely because of its importance as a means of increasing membership. Mutual insurance associations were formed by members of the dealers' associations in Iowa, Minnesota, and other States. In 1905 an arrangement was proposed whereby the privilege

### Section 5. Limiting credit risks.

Many implement dealers lack business experience, and the transactions between manufacturers and wholesalers, on the one hand, and dealers, on the other, are conducted largely upon a credit basis (see p. 7), so that it is desirable for the manufacturers, in order to guard against loss, to exercise care in determining the extent to which credit may be safely extended to a prospective dealer-agent; to retain some sort of security for goods shipped, in case of insolvency or fraud on the part of the dealer; and, further, to assist in any movement intended to improve the business standing of dealers generally.

COOPERATION IN JUDGING CREDITS.—The investigation of the credit standing of prospective dealer-customers has for the most part been left by the manufacturers' associations to the individual members. A credit system or plan that had been adopted by the southeastern department of the National Wagon Manufacturers' Association, in reporting to each factory undesirable dealers or those who engaged in questionable practices, was discussed and approved by the executive committee of the wagon association in 1906. The executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers advised all members of that association to join the National Association of Credit Men. A handbook of information on various phases of the subject of credits, consisting of articles contributed by members of the credit committee, was prepared. In 1907 and 1908 members of the National Plow Association discussed the merits of a certain hardware credit-reporting agency, but no definite action appears to have been taken beyond referring the matter to the executive committee of the association.

The installation of a bureau for the exchange of credit information was an innovation proposed to be taken up by the National Implement & Vehicle Association. This plan, it was thought, would afford members an opportunity to get reliable information from the actual experience of the dealers' creditors, as shown by the ledger transcripts of the latter—something that could not be secured through the channels then in use. During 1911 the secretary and general manager of the association spent much time investigating

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of becoming subscribers to the Reciprocal Underwriters was extended to the members of all the constituent associations of the National Federation of dealers' associations, on the same terms.

In 1911 the secretary of the Western association stated that the success of the Reciprocal Underwriters had been phenomenal. He asserted that it had saved over 54 per cent of the regular board rates, or over a quarter of a million dollars to its subscribers. He also claimed that its success had in certain cases caused old-line companies to offer lower rates to regain the business. The Retail Implement Dealers' Mutual Fire Insurance Co., of Minnesota, has also reported a successful career. Indeed, the secretary of the company, who is also secretary of the Minnesota Retail Implement Dealers' Association, asserts that the interest of the members in the association is chiefly in the insurance feature. In short, the insurance branch of association activity is looked upon as one of the strongest inducements to membership in dealers' associations, without which the latter would lose one of their best drawing cards.



the practical establishment of a credit-information exchange bureau. In August he reported that after studying a number of such plans the conclusion had been reached that for a beginning the association could not do better than to follow the rules under which the National Association of Credit Men operated. At the annual convention in October, 1911, however, the committee on terms and credits reported that the plan of establishing a credit bureau had been temporarily set aside on account of the pressure of other important work. They recommended that when the bureau was inaugurated it proceed along the lines followed by the National Association of Credit Men, namely, the exchange of personal experience of those interested in the dealer. This plan was explained as follows:

A member submits a list of names of customers that he would like to secure information in reference to how they are paying their bills; if they discount or pay when due; the amount that they would be owing at the time the report was made, and the amount of goods bought for future delivery. The membership that would be interested in this account would make report, and in return for this information would get a summarized copy from the office as soon as it could be compiled.

The report of this committee suggested that the bureau might also take up the tracing of lost debtors and possibly the reporting of insolvent and "judgment-proof" concerns, and those who had made disastrous failures, but were reengaging in business and endeavoring to secure goods from members of the association on credit. It was stated that such information would not be furnished in the form of a black list, nor anything of that character, but by ways and means entirely within the law and without liability to the association. The report concluded by recommending that a credit-information exchange bureau be established as soon as possible. The committee expressed the opinion that while there was no question of the desirability of knowing the financial condition of customers some method was required to concentrate this information in a systematic way to be passed out to the members of the association. Subsequently, in June, 1912, the executive committee of the association voted that the credit exchange department be considered as one of the four principal departments of association activity.

At the next annual convention of the National Implement & Vehicle Association, in October, 1912, it was reported that it had been found on investigation that the establishment of the proposed credit bureau would require a larger sum of money than the association had at its command and it would, therefore, be unwise to start the work until the funds were at hand.

While these plans were under discussion the secretary of the association had made some attempt to locate missing debtors. In a post-

script to a bulletin issued in March, 1911, he inquired if any member could furnish information as to the whereabouts of three concerns whose names were given, and in April, 1911, another bulletin was issued inclosing two sheets on which members were requested to list the names of lost debtors, one of the sheets to be returned to the secretary and the other to be retained by the member reporting. In the bulletin inclosing these sheets the secretary stated that the finding of lost debtors could be conducted while preparations were being made for the establishment of the credit bureau. He called attention to the fact that the membership of the National Implement & Vehicle Association extended over the entire country and that a large proportion of lost debtors would probably again engage in the same line of trade. He urged, therefore, that it would pay each member to have its collection department furnish the association with a list of such delinquents to be bulletined under key to the entire membership. On May 8 a list of some 60 names that had been received in answer to this bulletin was sent to each member of the association, who was requested to turn the list over to his collection department with the request that any information available be reported to the association. In sending names for inquiries of this sort members were asked not to include any who were not lost delinquents nor any other than dealers. A few days later a bulletin was issued, which, among other things, stated there were a number of unreliable debt-collecting agencies operating throughout the country on various ingenious schemes concerning which the association could give information to its members.

Discussion at a meeting of the sales managers' department of the National Implement & Vehicle Association in June, 1913, brought out the fact that there was no general practice among the members in requiring dealer-agents to submit a statement of property. It was found that some companies required such statements from new customers, others only in cases of doubtful customers. Some of those present reported that the statements received were very inaccurate, due largely to a lack of desire on the part of traveling men to get them. It was suggested that some time in the future it might be possible to make the association a clearing house for property statements furnished by all dealers, copies to be issued to manufacturers who were interested. Recently the National Implement & Vehicle Association has submitted to the dealers for their consideration a form of property statement drafted for the purpose of securing uniformity in the credit information furnished to the manufacturers by the dealers. This proposition has been favorably received by the dealers' Federation.<sup>1</sup>

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<sup>1</sup> Some of the local clubs of dealers have attempted to compile credit ratings of farmers in their locality, but the amount of work involved in such a compilation has discouraged

**SECURITY FOR SALES.**—One of the first committees created by the National Association of Agricultural Implement & Vehicle Manufacturers was a committee on credits, to which the association referred the question of the advisability of a uniform form of contract and kindred matters relating to credits. In January, 1897, the president of the association stated that a committee was considering the matter of uniform order blanks and financial exhibits, but had not made sufficient progress to justify a report. So far as shown in the earlier records of the association, however, this committee made no report on this subject. The executive committee had already reached the conclusion that the chattel mortgage laws in many States were both unfair and inequitable to mortgagor and mortgagee and had appointed a committee to attempt to draw a form of law to cover all of the States, for the benefit of the association and all others indirectly interested.

The secretary of the Western Retail Implement & Vehicle Dealers' Association was present at the second annual convention of the National Association of Agricultural Implement & Vehicle Manufacturers, in October, 1895, and explained to the manufacturers the efforts that had been made by the Western Retail Implement & Vehicle Dealers' Association to have changes made in the chattel-mortgage law of Kansas, which provided that such a mortgage should run only for one year, after which it must be renewed if the note remained unpaid, an additional fee being required for recording the renewal. He stated that his committee would be glad to answer inquiries on the subject from the manufacturers and receive their suggestions.

At the convention held in November, 1896, the chairman of the committee on credits of the National Association of Agricultural Implement & Vehicle Manufacturers presented an oral report, indorsing the desirability of a "good straightforward" bankruptcy act, and later a resolution was adopted by the association authorizing the president to prepare a petition to Congress to pass the Torrey bankruptcy bill. In September, 1899, the executive committee of the

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others. The experience of a local organization of dealers in Jackson County, Mich., illustrates this. The club was organized in 1904, and later, after the members had entered into certain agreements, including one requesting all members to add not less than 25 per cent, or one-fourth of the cost, to make a selling price, it was decided to adopt a code to be used in rating farmers living in the county, the compilation to be made from information furnished by members of the club from their experience. The plan was explained at a meeting of the State association in 1905, and one of the members pointed out the necessity for the dealer to have information upon which to determine whether credit should be extended to farmers, especially to newcomers. He called attention to the fact that the various mercantile agencies furnish such information regarding business men, merchants, and manufacturers, but it was different in the case of farmers to whom the implement dealers sold goods. Considerable difficulty seems to have been experienced in keeping the information up to date and some of the members of the club have expressed the opinion that the preparation of such a list involves more time and labor than is warranted by the results.

association decided to take no action on a suggestion that it appeal a court decision in which it was held that labor liens had priority over chattel mortgages under certain conditions.

The matter of uniform State laws governing chattel mortgages was discussed at a meeting of the executive committee in the fall of 1908 and referred to the committee on State legislation.

During 1908 the National Association of Agricultural Implement & Vehicle Manufacturers arranged for its attorneys to draft forms of sale and commission contracts, uniform in particular features, to be used by members of the association. One of the objects was to provide for the possibility of retaining certain security for goods sold or delivered to a dealer in a foreign State until the manufacturer had received settlement or payment therefor. The various forms drafted by the attorneys were submitted to members for their criticism or approval.

In connection with a proposition to shorten terms (see p. 35) the National Wagon Manufacturers' Association during 1907 made an effort to devise a form of commission contract which would be more favorable to the members than the contracts then in use.

At a meeting of the executive committee of the National Plow Association held in September, 1909, the subject of a uniform promissory note was brought up, but, as it was a matter of great importance to manufacturers in other lines, requiring legal advice, it was decided to leave this and two other similar matters to the National Association of Agricultural Implement & Vehicle Manufacturers.

At a meeting of the sales managers' department of the National Implement & Vehicle Association in June, 1913, one of the questions submitted for consideration was, "The title clause in contracts—what is its real value?" In discussing this topic many of those present reported that these clauses were used for their moral effect and because they could generally be relied upon except when the dealer became involved in bankruptcy. It was generally admitted, however, that they should not be considered in determining credit risks, as the decisions of the courts in bankruptcy cases had impaired their value.

**CREDITS IN THE THRESHER TRADE.**—Threshing outfits, consisting of engine and separator with an attachment for stacking straw and chaff, are usually sold to a distinct class of purchasers, called threshermen, who thresh grain on contract. The outfits are so expensive that few of the purchasers are able to pay for them in cash. This makes it necessary for the manufacturers to sell to them on credit, taking assignments of earnings as security. The investment of capital over such long periods, and the expense of collecting amounts due on the obligations of the threshermen, and in keeping track of the latter to avoid losses and to protect security of the character

mentioned, cause heavy expenses to the manufacturers. Indeed, the principal matter considered at the first meeting of the thrasher manufacturers in 1884 was the prevailing custom of extending credits to purchasers. It was held to be the most urgent problem then demanding attention, and it was decided that the extreme terms to be made should provide for full payment not later than the first day of the third January following the sale. The records, however, do not show how closely this plan was adhered to. The thrasher association maintained a bureau from 1898 to 1902 to furnish data to enable members to act wisely in the matter of extending credits.

In November, 1909, the association adopted the following resolution :

*Resolved*, That it is the sense of this Association that for the year 1911 no greater discount be allowed for cash than 6 per cent to agents or purchasers; that on single sales the agents be allowed a maximum discount of 5 per cent if cashed in thirty days from date of delivery, and that the date for agents cashing all his season's business be fixed (not exceeding ninety days from date of delivery) in the agent's contract when made, and that purchasers be not allowed any cash discount later than ninety days from delivery of the goods.

This resolution was affirmed in April, 1910. It was reaffirmed and somewhat amplified at a meeting in November, 1910, when the following resolution was adopted:

*Resolved*, that it is the sense of this Association that in 1911, no greater discount will be allowed for cash than six per cent, to the purchaser, and that purchaser be allowed no cash discount later than October 1st, of the year in which sale is made.

That the maximum discount to the agent be five per cent on single sales if the sale is cashed in thirty days from date of delivery and that the date of the agent's cashing all the season's business be fixed in the agency contract not later than December 1st of the year in which the sale is made at a discount for cash not to exceed six per cent plus interest from October 1st.

In the latter part of 1911 this plan was reported to be producing satisfactory results, and all members favored its continuance, but in 1912 it was reported that more complaints on price cutting and selling on extremely long terms had been received than ever before. In 1913 several matters affecting credits were discussed, among them that some cash payment should be insisted on in each case; that the period of credit on separators and small outfits be restricted to two years, with an extreme period of three years on any kind of threshing machinery. Resolutions were adopted recommending that members endeavor to increase cash payments and to bring about shorter terms.

**IMPROVING FINANCIAL CONDITION OF DEALERS.**—One of the objects of the systematic campaign (see pp. 218–243) undertaken by the manufacturers to educate dealers to a better knowledge of their costs of

doing business was to improve the financial condition of the latter in order to make them better credit risks. It was felt that if the retail implement business could be put upon a more profitable basis much would be accomplished toward lessening the large number of failures, retirements, and other changes taking place among the dealers each year.

The effort of the National Implement & Vehicle Association to establish a sales managers' department was due largely to the influence which it was believed that such a department could exert in carrying on the cost-educational movement, and apparently to impress the members with the importance of the cost-educational work as a matter of improving credit risks. A resolution was adopted in October, 1911, requesting the members of the association to instruct their salesmen to take up and discuss the subject of the cost of doing business with the retail dealers with whom they came in contact, with a view to improving the condition of the retailers, and thus making them more permanent in the trade than had been the rule theretofore. Shortly after the convention the secretary and general manager issued a bulletin impressing upon members the fact that it was necessary for them to do something more than merely sell goods to the dealer if they desired permanent customers. He pointed out that resolutions mean nothing unless they are followed, and inquired of each member what he was doing to improve the conditions of the customers who needed it and; furthermore, if the members had ever requested their travelers to make an effort to induce dealers to reckon their costs in order to know positively whether they were making a profit. He stated that both he and the cost committee of the association would appreciate information as to what each member was doing along these lines.

This bulletin was followed by another in November, 1911, on the subject of "Cost education: What it means to you and your customers," in which it was stated that the number of answers received in reply to the former bulletin had not been very large. In commenting upon the value of the work the secretary and general manager went on to say:

We have always contended that credit could not be safely extended without some knowledge of the business experience of the applicant, and whether he has qualified by reason of this experience, or business knowledge, to succeed. We also had the impression that the retailers of the lines we represent needed business education, perhaps more than any other. \* \* \*

It is difficult to refuse an ex-farmer credit who has a deposit of \$5,000 in the bank and a good reputation for honor and integrity in the community, still unless you or your travelers do something to help him get started in the safe business lines, the

chances are that he will eventually fail, losing all his own money and a lot belonging to you or some one else who is unfortunate enough to stick to him until the crash comes.

\* \* \* We are firmly of the belief that the sooner that all our members realize that it is profitable to assist their customers in this way, the sooner we shall have better conditions prevailing in the retail trade. If some one connected with each house would, every thirty days, send to their selling forces information of this character, either original or borrowed, the improvement would be noticeable within a very short time, just as the efforts made by the dealers themselves to spread cost education through their conventions, etc., has brought about very satisfactory results.

The importance of the cost-educational work of the association was discussed and emphasized at a meeting of the executive committee held December 23, 1911, and the conclusion was reached that it should be urged at every opportunity, especially in its relations to the retail dealer. In this connection, the secretary of the association was instructed to ascertain how the Western Retail Implement & Vehicle Dealers' Association would regard a proposition to employ an expert bookkeeper and cost accountant in the territory of the members for a year, the cost to be divided between the two associations.

A meeting of the sales managers of the National Implement & Vehicle Association was held at Chicago in February, 1912. One of the topics discussed was the responsibility of the salesman as to credits. The matter of cost education as related to dealers was considered and a thorough consideration given to what could be done by the sales managers through their travelers or otherwise to improve existing conditions. At this meeting a former manager of a branch jobbing house at Kansas City outlined some of the benefits that would accrue from a sales managers' department, citing his experience where the cultivation of better acquaintance with his competitors had been worth thousands of dollars in handling trade and in the making of credits. The sales managers present at this meeting indicated their interest in the cost-educational work by unanimously expressing their willingness to aid the work and support a feasible plan when devised. No verbatim report was made of the personal experiences recited at this meeting, since it was thought best that the utmost freedom of expression should prevail. In the bulletin containing a report of this meeting, members of the association were reminded that it was their duty to build up the sales managers' department, not only by their personal attendance but also by urging competitors to attend.

The efforts that have been made to carry on the cost-educational work are described in more detail elsewhere. (See Chap. VII, sec. 5.)

### Section 6. Reduction in costs of distribution.

Manufacturers, wholesalers, and dealers alike contend that there are certain unnecessary or excessive expenses that have grown up under the present system of selling through retail dealers. Manufacturers and wholesalers complain of various practices on the part of dealers that tend to increase selling costs, while dealers believe that unduly aggressive competition on the part of manufacturers and wholesalers has a similar tendency. Furthermore, manufacturers, jobbers, and dealers alike are opposed to price cutting by dealers. Nevertheless all classes in the trade recognize that if the dealer is to continue to be an important factor in the distribution of machines the system of which he is a part must not impose too great an expense upon the industry. This is looked upon as a vital problem, the solution of which requires close cooperation between the various manufacturers and wholesalers, and also between manufacturers and wholesalers on the one hand and dealers on the other.

The smaller manufacturers and wholesalers are especially concerned with the increasing cost of distribution. The recent development of several large companies into full-line houses, with exceptional financial resources, carrying a large variety of the principal kinds of farm machinery, has been a matter of deep concern to smaller companies. The abundant resources of the large companies permit them to employ expensive selling organizations, to spend much money for advertising, and to carry goods with dealers on consignment or on unusually long terms. By these means the larger companies absorb the services of an undue proportion of the total number of dealers. The net result of the situation is that the smaller short-line manufacturers are seriously handicapped by the expense to which they are put in selling the output of their factories. In many cases it is probably true that the aggregate selling expenses of the manufacturer, the wholesaler, and of the dealer, equals or exceeds the factory cost of goods.

Owing perhaps to the fact that the larger manufacturers are members of the National Implement & Vehicle Association, no positive action along fundamental lines has been taken by that organization to relieve the smaller concerns. Members of that association, however, are strongly impressed with the necessity for curtailing what is described as the "increasing cost of distribution." In October, 1913, the chairman of the executive committee of the National Implement & Vehicle Association told the delegates to the National Federation of dealers' associations that this is one of the greatest problems now confronting the manufacturer. The delegates were urged to make vigorous and persistent use of their influence in eliminating certain practices by which the manufacturers thought the cost of distribu-



tion was unnecessarily increased. Specific practices of this sort that were complained of by the manufacturers, included excessive demands upon the manufacturer for donations, and for personal and financial help in selling and setting up goods sold to farmers; expense arising from failure of dealers to live up to the terms of their agency contracts, and from failure to pay adequate attention to new and useful machines; lax methods of conducting business; and excessive demands for carrying over unsold goods. On account of the great number of new dealers who enter the retail implement trade each year the manufacturers believe that a constant campaign is needed to agitate matters of this kind.

The entire Federation was invited to be present at the annual convention of the National Implement & Vehicle Association in October, 1913. In extending this invitation the secretary of the National Implement & Vehicle Association said:

The time has arrived, we believe, that the retailer of the lines we represent ought to understand fully the situation relative to the manufacture of these lines and the problem connected with it.

At this convention one of the features was a discussion between the chairman of the executive committee of this association and the president of the Iowa implement dealers' association on the subject of problems of distribution, the object being to find some way to reduce selling costs by the process of elimination of needless expense. The Bulletin, the official organ of the federated dealers' associations, in commenting upon this discussion, expressed the hope that it would do much toward securing that real cooperation between manufacturer and dealer which it was apparent had become necessary if the dealer was to continue to be the medium through which the product of the implement factory reaches the farmer. At this convention of the manufacturers' association a resolution was adopted urging upon members the positive necessity of reducing to a minimum the cost of marketing products and soliciting the cooperation of the dealers.

The dealers recognize the fact that the manufacturer will naturally endeavor to reach the user of his products through the channel that affords the greatest volume of business at least cost for distribution. In referring to this fact the secretary of the Western association declared that the dealers have it in their power to demonstrate that they offer the cheapest channel of distribution and that they must make this fact clear to the manufacturers.

While the danger to the regular implement dealers of competition from direct selling concerns is believed by many to have been greatly exaggerated, one result has been to create a belief among dealers that they are required to pay too much for goods sold to them through wholesale houses. Furthermore, the federated dealers' asso-

ciations claim that they are studying methods of catalogue houses to enable the dealers to compete with them successfully. In this connection the question has been raised whether there is not some way in which dealers can get nearer the source of supply. The solution of this problem through cooperative buying in quantity direct from the factories, by uniting the orders of a number of dealers, has been opposed by manufacturers. Another plan under which it is proposed that dealers shall sell from syndicate catalogues and deliver goods ordered therefrom has met with little favor from the regular trade and has been disapproved by the National Federation of Implement & Vehicle Dealers' Associations.

The dealers' associations have made little progress in efforts to secure lower prices from manufacturers and wholesalers, through the curtailment of expense which they claim could be effected if manufacturers and wholesalers would discontinue the employment of canvassing salesmen and the sale of goods on extremely long terms. In this direction the interests of regular dealers and of manufacturers without exceptional resources are much the same.<sup>1</sup>

One of the most recent proposals of the dealers to reduce the cost of distribution is to reduce the needless variety of different types and sizes of different kinds of farm machinery and implements, which it has been customary for dealers to carry in stock. This method of reducing costs was brought up by the National Federation at a conference with manufacturers representing the National Implement & Vehicle Association in October, 1913. The latter assured the dealers that the manufacturers were even more deeply interested in the advantages of standardization than were the dealers. The dealers were told that the farm-wagon department of the National Implement & Vehicle Association was then engaged in an effort to standardize wagon construction to the extent of eliminating certain sizes and that it was expected that the wagon manufacturers would soon present a request for the cooperation of the dealers.

The character of the warranty, as an element in the costs of distribution, has been a matter of difference between competing manufacturers, and also between manufacturers and dealers. As between manufacturers and dealers the question of warranty is as to which shall bear the expense of replacing broken parts. Manufacturers claim that dealers are too liberal in this respect, especially when the expense can be shifted to the former.

The matter of warranties came up prominently in 1913 by reason of legislation on the subject which had been passed in the Province of Alberta, Canada, and in the State of North Dakota. The Alberta act provided that notwithstanding any agreement farm ma-

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<sup>1</sup> See report of the Commissioner of Corporations on the International Harvester Co., pp. 270-289.

chinery should be sold under an implied warranty guaranteeing it to be of good material, to be properly constructed both as to design and workmanship, to be in good working order to satisfactorily perform the work for which it was intended, to be free from latent and other defects, and to be in every way so designed and constructed as with proper care and use to have reasonable durability. It was felt by members of the National Implement & Vehicle Association that this law would work a great hardship upon every manufacturer selling goods in that province. Later it was announced that the act had resulted in the withdrawal of a number of concerns from doing business in Alberta and had caused others to restrict their business to those only who were considered choice credits, and it was asserted that the law bore even more heavily upon the farmer whom it was intended to benefit. It was thought that the law would render the manufacturers' collections difficult, and it was reported that several instances had occurred where farmers had repudiated their obligations. The passage of a similar law in North Dakota in 1913 (Session Laws, chap. 218) was also called to the attention of the members of the National Implement & Vehicle Association in an effort to arouse them to protest the passage of such laws. These laws were regarded as having been brought about by the unfair dealings of one or more concerns, although the law placed the restriction upon all. The secretary urged that an effort be made to enlighten both dealers and consumers as to the ultimate effect of such laws in increasing the expense of doing business and in advancing prices.

At the present time (March, 1915) both the National Implement & Vehicle Association and the National Federation of Implement & Vehicle Dealers' Associations are active in devising methods of eliminating and curtailing the expenses incident to the sale of farm machinery through the retailer. At the annual meeting of the National Implement & Vehicle Association in October, 1914, the retiring president stated his belief that—

no problem confronting us today exceeds in importance that of economically marketing and distributing our products.

The report of the executive committee of the association pointed out that the expense of selling farm machinery had increased very materially from year to year until it had become one of the manufacturers' heaviest burdens. The committee on dealers' associations, however, declared that, so far as agricultural implements are concerned, the retail dealer is a necessity and is the best medium in the distribution of the manufacturers' goods to farmers. The report of this committee called attention to the expense involved in the tendency on the part of manufacturers and dealers to yield to demands for excessive service. It also cautioned the manufacturers against

placing agencies too close together and against overloading dealers with more goods than they require.

At this convention the sales managers' department reported that its members had held two important conferences with the dealers during the year, at which various topics of mutual interest had been discussed. At these conferences various suggestions for the more economical conduct of the retail trade were considered; such as the more careful use of advertising matter sent to dealers for distribution, cooperation in replacing defective parts and in returning them to the factory, and the use of a common form of property statement to be submitted by dealers seeking credit for goods ordered. The most important result of the conferences between the manufacturers and dealers appears to have been the appointment of the secretaries of the various constituent associations of the Federation as a committee to act with the manufacturers' association in an effort to advance the standardization movement by assisting in the elimination of unnecessary sizes and types of machines, wagons, etc. This step was taken at the request of the manufacturers that the Federation appoint a committee for this purpose. In making this request the manufacturers declared that, unless such standardization could be effected, they would be compelled to advance prices. Furthermore, they asserted that the standardization could not be accomplished without the cooperation and support of the dealers. At the meeting of the Federation held in October, 1914, the delegates adopted the following resolution:

By the ever increasing multiplicity of styles and sizes, manufacturers and jobbers have added cost upon cost to their overhead expense. There are too many travelers, executives and canvassers who add to the cost of the goods to the dealer. Many of these wastes in cost of distribution should be eliminated and all unusual styles and sizes should be discontinued. Reforms along this line should be assisted by the retail dealer, so that he may be enabled to sell goods at lower prices to the consumer, obtain a fair profit and give good service.

At the same meeting at which the above resolution was passed and at which the secretaries of the various associations were appointed as a committee on standardization, the Federation delegates also appointed a committee to investigate and report at the next annual meeting whether some plan could not be adopted by which dealers could get some of the smaller articles in their line, outside of trade-marked goods, at lower prices.

## CHAPTER IV.

### ACTIVITIES OF MANUFACTURERS' ASSOCIATIONS WITH RESPECT TO LEGISLATION.

#### Section 1. Introduction.

The executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers was given general charge of all matters of legislation affecting members and their patrons. A standing committee on legislation was created, with instructions to keep a sharp lookout for such matters, but its duties were afterwards divided between a committee on national legislation and one on State legislation. In 1895 the committee on legislation recommended that the efforts of the association in the matter of legislation should not be confined to the prevention of obnoxious laws or their repeal when enacted, but that effort should be made to frame and secure the passage of laws, both State and national, that would protect and promote the interests of the members without impairing the rights or interests of the general public. To secure the enactment of such laws, the executive committee was empowered to confer with other associations of manufacturers with reference to cooperative action.

In 1895, the executive committee was authorized to subscribe to the membership of the National Association of Manufacturers and to appoint delegates to its next convention. In October, 1898, a so-called conference committee was given charge of proposed cooperation with kindred associations to secure national legislation, and in October, 1908, a recommendation was approved that the association cooperate with the National Association of Manufacturers along such lines as their common interests might justify. The same year a proposal was made to employ men at State capitals to report on measures introduced in State legislatures, and, for a time, a committee, known as the "States Committee," was maintained with a member in each State to look after legislation and report all obnoxious measures. In 1910, however, the States committee was discontinued.

So far as shown by the records, the wagon, plow, and grain-drill manufacturers' associations, as organizations, gave little attention to matters of legislation. Many of the members of these associations were also members of the National Association of Agricultural Implement & Vehicle Manufacturers, and, largely for this reason, legis-

lative matters were left to be handled by the latter association, which, with its larger membership, was thought to be more influential.

The principal matters of legislation to which the manufacturers' associations have devoted attention, are those relating to taxation of corporations, industrial indemnity, and manufacturing operations at State penal institutions. Considerable attention has also been given to legislation relating to credits and collections, the tariff, and patents.

The associations of implement dealers have been most active in opposing the enactment of parcel-post legislation (see p. 198), and have also given much attention to legislation relating to manufacturing operations at State penal institutions (see p. 107) and to commercial transactions. In such matters they have sometimes received the support of the jobbers' club in the same distributing territory.

The matter of employing legal counsel to look after the general interest of the association was brought up at a meeting of the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers in January, 1897, but it was thought best to ascertain what the National Association of Manufacturers proposed doing in the matter. In November, 1898, the chairman of the executive committee was authorized to employ legal counsel whenever he found it necessary to do so. In November, 1900, a committee on attorneys and litigation was created, and the chairman was instructed to accept the proposition of a firm of Chicago attorneys to act as counsel for the association. Since 1900 this arrangement has apparently been renewed annually. By direction of the association the attorneys have conducted litigation in which the association has been interested, especially suits to determine the rights of foreign corporations under the laws of various States.

The National Implement & Vehicle Association has continued the work in respect to legislation and litigation formerly conducted by the National Association of Agricultural Implement & Vehicle Manufacturers. The standing committees on attorneys and litigation, national legislation, State legislation, tariff, patents, and others, have been retained. Furthermore, at the convention in October, 1911, a committee on political action was created, to secure united political action on the part of business men against what was characterized as existing tendencies toward adverse class legislation. In recommending this step, the committee on State legislation reported, in part, as follows:

Your committee are of the opinion that the public should know and realize the importance of these conditions, and that it is up to the business men of this country to act together as a unit upon this problem, for upon its solution along right lines depends as much as upon any other one thing the future growth

and prosperity of this country. And again we emphasize, in this connection, the importance of the business men uniting for political action.

\* \* \* Throughout this report we have endeavored to point out to you, as your committee sees it, the importance of business men entering the political field, and we have intentionally stated business men instead of business interests, because the trend of recent legislation, National as well as State, has been against the corporation and "the interests," so called, and which at the outset was aimed at the big interests known as the trusts and later at the railroads, but which to-day, if not being actually leveled at, is reacting upon all legitimate business interests, and justly or unjustly, our businesses are all being tarred with the same stick, known by both political parties as "the interests," and, therefore, practically speaking, we are all political outcasts.

In the minds of your committee, the important step to be taken now is the formation of, or domination of a political organization which shall be of sufficient strength and sanity to keep us safely building upon the foundation structure of our constitution and not upon the quick sands of many of the present-day political theories.

The committee on political action was invited to be present at a congress of the National Business League of America, described as "an alliance of leading diversified interests of the United States for the promotion of national legislation and the advancement of American commerce and industries." This congress, held at Chicago in the latter part of 1911, authorized the appointment of a committee to formulate a declaration of principles and purposes, reflecting the demands of the commercial, industrial, and business interests represented—something that the two dominant political parties might be asked to embody in their platforms. The executive committee of the National Implement & Vehicle Association directed its committee on political action to continue negotiations and cooperate with the National Business League and report to the executive committee of the National Implement & Vehicle Association when definite action was finally determined upon. The National Business League held another meeting in June, 1912, and adopted the platform that had been formulated by its committee. The resolutions adopted by the National Implement & Vehicle Association in October, 1912, substantially embodied this platform.

The report of the committee on State legislation at the convention in October, 1912, referred to the organization of the Chamber of Commerce of the United States of America at Washington, D. C., in April, 1912, for the purpose of forming a representative body of commercial organizations and interests which by representation could be consulted in relation to the commercial needs of the United States in both domestic and foreign trade. One of the principal

objects of the Chamber of Commerce is to be watchful of legislation affecting the business interests of the country.

In referring to membership in the Chamber of Commerce of the United States, the executive committee of the National Implement & Vehicle Association reported as follows:

Our membership in, and affiliation with many of the more important commercial organizations of the country, puts us, as it were, in the very center of things, enabling us to bulletin all important information quickly. The Chamber of Commerce of the United States, recently formed to unite as far as possible business organizations in order that the wishes of the majority might at any time be reduced to concrete form for the benefit of the President, Congress, or any other department of the Government, when questions of domestic or foreign interest arise—we are members of, and cooperating with this organization we expect it will develop in time to be a most valuable aid to our work.

In a pamphlet issued by the National Implement & Vehicle Association during 1911, the scope of the duties of its committees on national and State legislation was explained as follows:

Our committee on National legislation, composed of live manufacturers, act as an advisory body to direct the general office as to action which should be taken to alarm our members when pernicious or detrimental legislation is introduced at the national capital, or to counsel their cooperation and support to legislation of beneficial character.

Our committee on State legislation are watchful for the interests of our members in such legislation as relates to labor, taxation, transportation, rights of corporations within and without the State, etc.

The committee on national legislation in its report to members at the annual convention in October, 1912, suggested:

That every member of this organization constitute himself a committee of one to give strict attention to the next session of Congress calling the attention of your next committee on National legislation to any bills you deem of interest to manufacturers in our lines, expressing at the same time your views to assist the committee in determining its course. This suggestion is not made to relieve the committee of its duties, but to bring about proper interest in important legislation which heretofore has had too little attention from the average business man until too late.

The duties of these committees and various recommendations regarding their methods of work are also referred to elsewhere in the report.

At the annual meeting of the National Implement & Vehicle Association in October, 1913, the attorneys of the association reported that the multitude of different laws affecting corporations in the dif-



ferent States was a serious burden upon business enterprise; that there was an opportunity for the association to do a great amount of effective work; and that although there were organizations which could furnish copies of bills embodying legislation affecting business, it was nevertheless necessary for the interested parties to protect their rights. In this connection, they suggested that an association might be organized among the secretaries or managers of several large associations of manufacturers and dealers to provide some method of investigating and correcting such proposed legislation. The report of the committee on State legislation also indicated the difficulties of handling the situation in a practical way, involving the necessity of analyzing all bills presented and of securing the cooperation of those interested to appear either by committee or otherwise before the various legislative committees. They asserted that no one organization could alone furnish service of this sort unless it was organized for that express purpose, and, in this connection, suggested that, as the desired information could be procured through reliable channels, a special committee composed of representatives from various commercial organizations through the country might be organized to direct all activities regarding such legislation. The committee suggested that a plan of cooperation with other organizations might be inaugurated to start a movement among the business interests of the country either for a campaign of education as to needed legislation or for promoting efforts to modify or repeal detrimental legislation.

## Section 2. Taxation of corporations.

STATE TAXATION OF FOREIGN CORPORATIONS.—Most of the members of the National Implement & Vehicle Association are organized as corporations under the laws of some State. As their products are sold in many different States, the payment of franchise fees and other taxes imposed on foreign corporations by laws of the different States is quite an expense. Various plans of relief have been considered. To avoid the liabilities under such laws, members of the association are advised to conduct their business in such a manner that it will be interstate in character. To accomplish this, considerable attention has been devoted to an effort to devise satisfactory forms of agency contracts between manufacturers and dealers. Furthermore, the association has for years advocated the passage of a national incorporation law, and until such a law can be passed the manufacturers favor uniform State laws governing corporations. Many of the questions submitted to the attorneys of the association relate to methods of conducting selling operations in order to avoid payments required by the corporation tax laws of various States.

This matter of State taxation was one of the most important problems confronting the implement and vehicle manufacturers at the time the National Association of Agricultural Implement & Vehicle Manufacturers was organized, in 1894. Many of the members, organized as corporations, owned warehouses in other States, to which shipments were made for reshipment. To determine whether such companies were engaged in interstate commerce in a sense to render them exempt from the payment of a franchise fee, it was decided to test the law in the State of Michigan by bringing a friendly suit in the name of a manufacturing company, incorporated in Ohio, against a Michigan dealer. Arrangements were made with both parties to the suit, the expenses, including attorneys' fees for both sides, being paid by the association. It was felt that a decision by the Supreme Court of the United States favorable to the association would establish a precedent of great benefit.

The United States Circuit Court for the Eastern District of Michigan decided in favor of the manufacturing company on the ground that the statute of the State of Michigan was unconstitutional as an attempt to regulate interstate trade. On appeal to the Supreme Court of the United States the judgment of the circuit court was affirmed, but the higher court did not find it necessary to pass upon the constitutional question, as the contract upon which the suit was brought had been consummated or made in the State of Ohio, and, according to the terms of the Michigan law, the contract would have to be made in Michigan for the law of that State to apply. (*Holder v. Aultman*, 169 U. S., 81.)

While this decision did not clearly define interstate trade, it indicated one way in which the foreign corporation tax laws of the States might be avoided. It was decided to put the decision in concise form, and to send it to all members of the association, accompanied by a letter advising them not to pay a franchise tax in States where their business was not located. In case of suit, they were to refer the matter to the secretary of the association that a test suit might be brought. The association proposed "to hold harmless" any member engaged in interstate commerce, who might be sued for refusing to comply with statutes affecting foreign corporations which were deemed to be unconstitutional.

In 1906 the attorneys of the association were directed to institute two other suits, at the expense of the association, to test the foreign corporation laws of Texas and Kansas, respectively.

As in the Michigan case, the object of these suits was to secure an opinion from the Supreme Court of the United States as to whether companies, such as those in whose names the suits were brought, were engaged in interstate trade in a sense that would bring them under the commerce clause of the United States Constitution in such a way

as to free them from the operation of State corporation franchise tax laws. In the Texas case, however, it was not necessary for the court to pass upon this point, since the allegation of the company that it was engaged in interstate business was not denied by the State. The court refused, however, to aid the company in recovering taxes that had been paid, as the money had been paid voluntarily and not under compulsion of law. (*Gaar, Scott & Co. v. Shannon*, 223 U. S., 468.)

In the Kansas case the Supreme Court of that State decided that the manufacturing company, in whose name the suit was brought, could not maintain an action in the State courts unless it complied with the foreign corporation laws of the State, even though the orders taken by a traveling salesman were sent to Illinois for approval and shipment. On appeal by the company—there being no appearance for the defendant in error—the Supreme Court of the United States reversed this judgment without rendering a written opinion. (*Wilson-Moline Buggy Co. v. Hawkins*, 223 U. S., 713.)

Early in 1911 the executive committee of the National Implement & Vehicle Association instructed the attorneys of the association to commence suits to test the right of the State and county taxing bodies in Arkansas in seeking to tax notes and credits arising out of the sale of goods. It was held by the association that, as the transaction was purely one of interstate commerce, to tax notes and credits taken in the State for goods manufactured outside the State was to tax property outside the State.

In referring to the activities of the National Implement & Vehicle Association in bringing these suits, the committee on attorneys and litigation at the annual meeting in 1912 made the following statement:

No one company can afford to appeal these cases and take them to the Supreme Court. It would be much less expensive to pay an unjust tax, or an unjust tax assessment, rather than go to that expense and annoyance and trouble. The association has taken this work from the manufacturers in many cases in the past to the great benefit of the membership.

A decision of the Supreme Court of South Dakota in a suit<sup>1</sup> to which none of the members of the National Implement & Vehicle Association was a party was considered to be so important to the members of that association that its attorneys were instructed to procure the appeal of the case to the Supreme Court of the United States. The expense of this appeal was to be borne by the association assisted by the National Association of Credit Men and the National Association of Manufacturers.

A resolution adopted at the convention in 1912 advised the members to give greater heed to the recommendations of the attorneys as

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<sup>1</sup> *Sioux Remedy Co. v. Cope*, 133 N. W. 683 (1911).

to noncompliance with State laws relative to franchise taxes and license fees, where a strictly interstate business was being conducted in a foreign State.

The members of the implement and vehicle manufacturers' association have repeatedly adopted resolutions favoring a national incorporation law as a means of relief from the liabilities imposed by State laws. At the annual meeting of the association in October, 1912, the attorneys of the association made a similar recommendation. They advised that a national incorporation law "should be specific in defining the powers of the corporation and prescribing its limitations and be so framed that when a corporation is incorporated thereunder its managers may know definitely and specifically what their powers and rights are; what limitations are placed upon them and that outside of such limitations imposed by the act, that they shall be as free as individuals to transact their business and sell their wares throughout the United States and wherever the American flag flies, unhampered and unencumbered by State lines and State statutes."

**FEDERAL CORPORATION TAX.**—Although the National Implement & Vehicle Association favors a Federal incorporation law it was opposed to the Federal law of 1909 taxing corporations. In the early part of 1910 the attorneys for the implement association had advised that no reports be made to the Government under the corporation tax law, unless accompanied by a letter protesting the constitutionality of the act. Members of the association were urged to confer with the secretary of the association before making any report. In a letter to members of the association dated in January, 1910, the chairman of the executive committee said, in part:

We are aiding indirectly those who are expecting to contest the constitutionality of the act, and directly those favoring an amendment or repeal of the act, but \* \* \* we regretfully believe that incorporated companies must face the issue and prepare to make their reports.

Members were advised that the attorneys of the association believed the law to be unconstitutional. Forms of protest to be filed by members against the collection of the tax, and also against the publicity feature of the act, were inclosed in this letter. It was reported that steps had been taken to secure an amendment or repeal of the publicity clause. A circular letter dated February 4, 1910, and signed by the chairman of the executive committee, read, in part, as follows:

Your executive committee has been active individually and by cooperation with other associations and interests in the effort to induce Congress to repeal the publicity clause in the corporation tax law. The repeal \* \* \* would require an amendment of the tariff act of August 5, 1909. Such an amendment brought in to the House would be open to amendment for every

item in the tariff law, both in the House and in the Senate, and would result in opening up the tariff question and you can realize as well as I do what a paralysis this would cause to business generally. It is very much to be regretted that the offensiveness of this particular clause was not as fully realized when the bill was under discussion as at this time.

On June 9, 1910, the secretary of the National Association of Agricultural Implement & Vehicle Manufacturers issued a circular letter to members advising them that the various suits brought to test the constitutionality of the law had been reassigned for hearing at the October term of the Supreme Court, and members were urged "to immediately request your Representatives in Congress to have the law so amended that payment of the tax will not be required until the Supreme Court renders its decision. An amendment such as we suggest would avoid the necessity of payment of the tax at this time and a refund of the amount in case the law is declared unconstitutional."

In July, 1911, the secretary issued a bulletin quoting a bulletin of the Wisconsin Manufacturers' Association relative to the payment of the penalty for failure to comply with the Federal corporation-tax law, advising members to pay under protest, and later in the month members were advised of the text of a bill introduced in Congress to provide for a refund or abatement of the tax under certain conditions. Later, the secretary stated:

We have taken the matter up with the American Association of Public Accountants with whom we have been working since the bill was introduced and will be prepared to do our part at the proper time. \* \* \* it is probable that later we will want the cooperation of every member in stirring up their Congressmen, at which time you will be duly advised.

This was followed in a few days by another bulletin urging members to write their Congressmen at once along lines suggested in the bulletin, commending another bill introduced on the same subject on December 5. Members were requested to notify the secretary of the association when they wrote their Congressmen, and a little later the secretary notified members of the replies that he had received from members who had written their Congressmen. He also commended a suggestion that large results might be obtained if the members could arouse interest on this subject among the local business associations with which they were connected.

### **Section 3. Legislation relating to the tariff and foreign trade.**

The importance of tariff legislation to manufacturers in the implement industry is shown by the fact that the organization of the National Association of Agricultural Implement & Vehicle Manu-

facturers, in April, 1894, was due very largely to the tariff legislation of that year. Earlier in the year, in February, representatives of a number of concerns engaged in the manufacture of various kinds of farm machinery met at Chicago and appointed a committee to protest against the free admission of agricultural implements from other countries, except under reciprocal arrangements. It was claimed that the work of this committee resulted in securing an amendment to the Wilson tariff bill, providing that the then existing duties be retained on specified articles from countries that imposed an import duty on like shipments from the United States. The success of this committee afforded a concrete example of the value of collective action among implement manufacturers in different lines, and helped to bring about the formation of the National Association of Agricultural Implement & Vehicle Manufacturers.

After the association was organized, resolutions intended to promote foreign trade were adopted from time to time, such as urging upon Congress the importance of maintaining the consular system upon a high standard of efficiency and favoring the establishment of a strong American merchant marine. In 1896 the association selected a representative to accompany a party of members of the National Association of Manufacturers to South America to investigate trade conditions. Subsequently the association devoted considerable time to discussing ways and means of extending the trade of its members in South American countries. At the convention held in October, 1898, resolutions were adopted, recommending that a special committee be sent to confer with officials of the Department of State regarding the interests of the members of the association in the so-called Kasson treaties of reciprocity that were being negotiated.

In November, 1905, a committee was appointed to consider the interests of the association as to the tariff and reciprocity, and, in that connection, to appear before any committee of Congress at any time in its discretion. The report of this committee, made in August, 1906, recommended a very considerable reduction in the duties on the materials used in the manufacture of implements, particularly iron and steel. An extensive discussion among the members of the executive committee followed the reading of this report, and the question was raised, assuming the accuracy of the facts reported, whether it would be best for the association to undertake an agitation for a revision of the tariff, with its possible disadvantageous consequences (See p. 59.) The committee was directed to continue its investigations, and, in December, 1906, a standing committee on the tariff was created. In November, 1908, this committee was authorized and directed to attend the hearings of the Ways and Means Committee on matters affecting implements, with the idea of securing a reasonable tariff on implements and vehicles and a material reduction on certain raw materials which the implement manufacturers

believed to be overprotected. The executive committee also ordered the report of the tariff committee, made at the convention a short time before, to be published, providing it had been revised in accordance with the wishes of the association.

The association favored the creation of a Federal tariff board, and in 1910 elected one of its members to a place on the National Tariff Commission Association. Members of the National Association of Agricultural Implement & Vehicle Manufacturers were urged to write their Senators and Congressmen at once, recommending the passage of a bill making an appropriation for the Tariff Board.

In the latter part of 1910 the tariff committee reported to the executive committee that tariff matters were in such shape as to need no further attention from the association, "it being understood that there would be no further agitation on the part of our members for the present." It was announced that the National Tariff Commission Association had signified its approval of the Tariff Board.

One of the first matters to engage the attention of the executive committee of the National Implement & Vehicle Association in January, 1911, was reciprocity with Canada. The committee adopted a resolution favoring a decided reduction in the tariff on agricultural implements, vehicles, and allied lines imported into the United States from Canada, provided the Canadian Government would reduce its tariff to the same basis on like lines imported from the United States. The secretary of the association and the chairman of the executive committee were instructed to prepare a resolution on the subject and embody it in a letter to the President of the United States, and the secretary was directed to inform members and to urge them to write their Congressmen that proper attention be given the subject.

During February, 1911, the secretary visited Washington in connection with the Canadian reciprocity agreement and appeared before the Committee on Ways and Means to communicate the approval of the association. He reported his impressions of the situation in a bulletin dated February 8. In it he also stated that, as the president of the association expected to be in Washington when the bill reached the United States Senate, the association would not only be ably represented, but also be kept well informed concerning the situation and be in position to respond to any call which might be made for assistance. On February 20, members were again recommended to write their Senators at once, urging them to support the confirmation of the Canadian reciprocity agreement. The bulletin added:

We appreciate the assistance you have already given, but another strong letter from you to your Senators may stir them to action, so please give it prompt attention and send us copy.

Before the Senate had ratified the reciprocity agreement, another bulletin to the same effect was sent out. This letter, dated May 2, also warned members that the issue might be befogged by a bill that had been introduced to place agricultural implements and farm wagons on the free list—a bill which the letter asserted to be purely a tariff matter having no connection with the reciprocity agreement.

The work of the tariff committee of the association in 1911 was summarized in a report to the convention held at Chicago in October, 1911. In this report it was stated that the committee had deemed it advisable not to agitate the question of tariff revision during the preceding year. It was asserted that the failure of Canada to ratify the treaty of reciprocity that had been negotiated left the field open for suggestions of such tariff changes as would be of benefit to the members of the association.

In March, 1912, the secretary advised members that special arrangements had been made at Washington to procure quickly and, without the usual delay in making requests of the various departments, the latest and most complete information concerning foreign trade in which the members of the association were interested.

From time to time the secretary of the National Implement & Vehicle Association has issued general bulletins advising members of changes in the tariff laws of foreign countries and of news of the export trade as shown in the consular reports of the Government.

In the early part of 1912 the secretary wrote members for information regarding their export trade to Russia to ascertain the effect of the abrogation of the treaty with Russia on the American implement trade stating:

It is essential that business men give such matters as this and others not yet separated from political influence, more attention than they have in the past if we are to avoid the loss of our choicest opportunities through their political aspect or influence being made paramount.

At the annual convention held in October, 1912, the committee on tariff reported that it had been deemed desirable to look into but one question of great importance, namely, the Russian situation, as regards the possibility of a prohibitory tariff being placed on American agricultural machinery as the result of differences growing out of the abrogation of the commercial treaty. A committee was appointed to continue work at Washington necessary to bring about a friendly settlement of existing difficulties between the United States and Russia, and it was recommended "that they should lose absolutely no time as the danger is certainly grave." A resolution was adopted urging the necessity of immediate action in the negotiation of a new treaty with Russia to avoid "terrific loss," and the secretary was directed to forward a copy of this resolution to all interested



commercial bodies of this country and to ask their cooperation and support.

The report of the tariff committee was chiefly devoted to the Russian situation. It said, in part, however:

We did not deem it advisable to agitate nor to undertake to suggest in the matter of the revision of our tariff on steel, feeling that it is not within our power at this time, owing to the political situation and the further fact that there seems to exist such large differences of opinion on that question among our own members, and the further fact that the Government will undoubtedly succeed in creating a tariff board, and the fact that if such a board is created it would give our association a direct body to work with, if in your judgment it was advisable. For the above reason we pass over that question.

The convention adopted a resolution advocating "that all legislation for the revision of protective tariff rates should be based upon actual changes in economic differences between American and foreign countries scientifically determined by a nonpartisan tariff commission." Resolutions were also adopted approving the reorganization of the consular and diplomatic service, the maintenance of the service on a uniformly high standard of efficiency, and the adoption of measures for the creation of an American merchant marine and favoring a bill making the owners of vessels liable for loss or damage of cargoes, etc.

At the convention in October, 1913, the committee on foreign commerce and tariff reported that a satisfactory settlement of the Russian tariff situation might be expected, but that implements manufactured in other foreign countries were gaining a strong foothold in Russia. The report of the committee also called attention to the prospect for trade for American implement manufacturers in various foreign countries.

To assist members of the National Implement & Vehicle Association in extending their trade in foreign markets, a separate department, composed of the foreign-trade managers of various members of the association, was organized in April, 1914. The president of this department, at the annual convention of the association held the following October, stated that—

Its object is to collect and distribute among our members general information on matters of export that will enable them to seek an increased trade among our foreign friends at the least possible expense.

At the time this department was organized the following resolution was adopted:

*Resolved*, That the members of this department cooperate in furnishing information relative to the foreign trade, to any reasonable extent, on request, and that copies of all inquiries and answers be filed with the secretary.

Topics considered at the first meeting of the foreign-trade managers' department included the following: Quoting prices to the foreign trade, methods of handling Russian trade, foreign terms and credits, preparation of foreign-trade catalogues, and hindrances to agricultural development in the Argentine. In connection with the work of this department, it has been suggested that the association establish bureaus in countries where members wish to build up their trade, and also a bureau and showroom in New York City.

#### Section 4. Patent laws.

A revision of the patent laws of the United States was advocated at the annual meeting of the National Association of Agricultural Implement & Vehicle Manufacturers in 1897, and an improvement of the patent system was urged at the convention held in 1898. A standing committee on patents appears to have been created for the first time in November, 1898.

In 1907 the report of the committee on patents stated that, although it might be thought too great a task for the association to suggest modifications of the patent laws, it might be wise "to sow seeds" in order that the manufacturers might at some time reap the benefit. Accordingly the committee made certain suggestions which were later indorsed by the association. It opposed the extension of patents and the existence of patent-holding companies, and advocated that foreigners be subjected to the same requirements that foreign nations impose upon American inventors. In the administration of the patent law, it was recommended that greater care be observed in the issuance of patents and that the standard, as to the sufficiency of invention to warrant the issue of a patent, be raised. Furthermore, it was recommended that a competent and adequate force of Patent Office employees be provided for; that abandoned applications be cited against new applications and be open to public inspection after a reasonable time; and that an improved and more appropriate system of classification and indexing of patents be adopted. In January, 1908, the chairman of the committee on patents was authorized to appear before the House Committee on Patents to ask for legislation along the lines indorsed in those recommendations.

In September, 1911, the secretary of the National Implement & Vehicle Association directed the attention of the members to three bills to modify the existing patent system which were considered inimical to patentees. One of these bills provided for the forfeiture of patent rights under certain conditions and the other two aimed at the adoption of a compulsory system for the manufacture of patented articles under license. It was urged that if these latter bills should become law competitors could compel the owner of a patent to grant a license or shop-manufacturing privileges and thus destroy

the incentive to invention through the destruction of the patent monopoly. It was said:

These bills seem not only unconstitutional, but ridiculous, for they destroy the very foundation upon which many great manufacturing institutions are established \* \* \*. We recommend that you immediately register vigorous protest with your Representative and Senators against these bills \* \* \*. We should not wait until the next session of Congress to make known our objections, but should stamp out at once this movement for compulsory patent license.

At the convention held in October, 1911, the patent committee condemned the movement for compulsory patent licenses. Specific objections to these bills were pointed out, and members were urged to take a positive stand against their enactment and make their opposition known to Representatives and Senators. The committee reported that for several years it had supported the movement to secure the establishment of a court of patent appeals, and that the need for such a court had become apparent by reason of conflicting decisions rendered by the various courts of appeal. A separate court of patent appeals was urged, and members were requested to make their wishes known to the President of the United States and their Congressmen, when called upon to do so, for the enactment of a bill pending in Congress providing therefor.

A resolution was adopted expressing the opposition of the association to giving authority to the Commissioner of Patents to grant licenses to other than the patentee to manufacture the patented article as proposed by a recent bill introduced in Congress. The opposition of the association was also expressed to a provision contained in a Senate bill forfeiting a patent on terms and conditions therein provided. The association took the view that the rights of foreign patentees should be limited by the same rules and regulations by which patentees of this country are limited in the country where the original patent was granted.

At a meeting of the executive committee held December 23, 1911, the committee on patents was requested to draft a bill requiring that all laws or treaties passed relative to patents be made on a reciprocal basis, and that the committee give special attention to pending legislation relative to patents and ask the cooperation of the committee on National legislation if necessary.

At the convention in 1912 the committee on patents reported that its work during the preceding year had been principally along the line of opposing legislation to revise the patent laws. It reported that the compulsory patent measure had been so vigorously opposed by this association and others that it was dropped, but the propaganda was later revived. It was asserted that the object of foreign

countries in adopting compulsory license measures was "to stifle American inventors," and that it seemed incomprehensible that serious consideration should be given to the adoption of a system that had been "primarily devised abroad to throttle American progress." It was stated that the revision of our patent law would have far-reaching effect and was a matter of too great importance to be undertaken hastily, and that the objections to the compulsory license system were so great that the committee urged that there be no cessation on the part of members in opposing such a measure. It added that, aside from this attempted revision of the patent laws, the patent situation had apparently been very satisfactory so far as the members of the National Implement & Vehicle Association were concerned.

At this convention the association attorneys notified members that they had been informed that the patent committee of the House of Representatives had a bill before it which declared that it should not be lawful to insert a condition in a contract relating to the sale, lease, or license of any patented article or process, the effect of which would be to prohibit or restrict the purchaser, lessee, or licensee from using any article or class of articles, and that it should not be lawful to insert in any contract a condition requiring the purchaser to acquire from the seller any article or class of articles not protected by the patent. This situation was pointed out for the "serious consideration" of the members of the association.

The convention adopted the following resolution:

Whereas our patent laws have afforded inventors and owners of patents protection,

*Resolved,* That we continue our efforts in opposing any revision of the patent laws which contemplates a compulsory license.

In June, 1914, the patent committee of the National Implement & Vehicle Association decided to offer its services as mediator for the adjustment of any dispute among members of the association in regard to patents.

### Section 5. Industrial indemnity and indemnity insurance.

So far as shown by the records of the various associations of implement and vehicle manufacturers, their activities in respect to labor matters have been devoted chiefly to the subject of employers' liability or workmen's indemnity compensation, especially in respect to State legislation placing risks upon the employers. (See pp. 57 and 58.)

One of the first matters taken up by the executive committee of the National Implement & Vehicle Association after the formation of that organization, in January, 1911, was industrial indemnity legislation. The National Association of Agricultural Implement & Ve-

hicle Manufacturers had provided for a committee on industrial indemnity and insurance shortly before this time, and a conference had been held at Columbus, Ohio, with members of a similar committee acting for the National Association of Manufacturers. In March, 1911, it was decided that the National Implement & Vehicle Association should take an active interest in industrial indemnity and legislation on the subject pending in various States, cooperating with other organizations working toward the passage of fair and equitable laws. The secretary of the association was instructed to write each member of the committee on State legislation that in part his duties were to immediately ascertain from his representatives at the capital of his State just what bills or legislation were pending which would be of interest to him as a manufacturer. If inimical to his interest, he was requested to report the matter at once to the chairman of the committee on State legislation in order that the association might cooperate with him and with other commercial bodies in the State to secure the amending of such bills; so that they would be fair and equitable.

The executive committee took immediate action on the industrial indemnity legislation then pending in Wisconsin and Illinois by instructing the members of the State legislation committee in those States to immediately notify all the association members resident therein to name representatives who could act for them and be subject to call if the chairman found it necessary to use a delegation. The members of the State legislation committee were also notified that the association expected them to get in touch with what was going on in their State legislatures of special interest to manufacturers and report at once to the chairman of the committee with suggestions of what action should be taken. As much of the legislation then pending was considered by the manufacturers to be drastic and discriminatory, every member of the association was urged in self-protection to interest himself and send his views to the association office. It was advised that—

It is not always possible to head off inimical laws, but by cooperative organization it is possible to modify them, and these new industrial indemnity laws are of this character.

The secretary of the association in his report to a meeting of the executive committee in June, 1911, stated that, if it had not been for the cooperation of the association in securing modifications in the terms of some of the industrial indemnity laws that had been passed, they would have been passed in a much more drastic form. He said that some of the committee members had sacrificed largely of their time and money in working for the modifications; that in Wisconsin the bill had been much improved by the attention given and work

done by certain members of the association in that State, and that in Ohio one of the members of the association had not only framed most of the provisions of the compensation law but had been of much service in securing its passage through both houses of the legislature. He reported that in Illinois the members of the association had given a larger proportion of time and attention to this question than was given by any other line of business.

An advance in the rates of industrial indemnity insurance companies led to a suggestion in June, 1911, as to the possibility of creating some plan of mutual insurance among the members. An effort was made to collect from the records of members reliable statistics for use in case it should be decided to organize a mutual industrial indemnity insurance company. No further steps seem to have been taken in this direction.

Accident prevention and industrial indemnity laws received much attention at the annual meeting of the association in October, 1911. The report of the committee on industrial indemnity insurance suggested that the members of the association might unite with other manufacturers in their respective States to assist in securing the adoption of a fair and equitable law. The committee recommended that steps be taken to reduce accident risks at the factories of the members, and also suggested the interchange of information among members as to devices for safeguarding dangerous machinery. This report also called attention to the recommendation of the State legislative committee advocating more complete organization among manufacturers. (See p. 91.) The members of the association adopted resolutions favoring a national employers' liability law and expressing the sense of the association that it was far better to prevent accidents than to obtain low settlements after their occurrence. In this connection, the executive committee of the association was instructed to employ such methods as were deemed best to educate all members in the prevention of accidents. The committee on industrial indemnity insurance was also empowered to cooperate with committees of other organizations in safeguarding the interest of members in a reasonably uniform way. In 1912 the members adopted resolutions referring to employees' compensation legislation as a vital problem to be solved rather than to be resisted, and recommended legislation of a uniform and constructive character based upon a plan of making such compensation compulsory on employers and employees, the cost of administering the law to be borne by the Government, the fund to be contributed by employers and employees.

Since 1912 the activities of the association in respect to industrial indemnity legislation seem to have been based upon this recommendation. Careful attention has also been given to the prevention of accidents.

**Section 6. Opposition to prison factory legislation.**

For some years the various associations of implement and vehicle manufacturers and dealers have opposed State legislation providing for the manufacture of binder twine and implements in prisons. The dealers have attacked proposed legislation on the ground that it is unjust discrimination against implement dealers; that it is unconstitutional and unprofitable for States to engage in manufacturing enterprises; that it tends to discourage invention, etc. They have opposed such legislation because the prison output has been generally sold directly to farmers at prices less than the prices at which dealers can sell goods made at factories employing free labor. Moreover, there has been little profit to dealers in handling the prison product since they have had to pay about the same price as paid by the farmer.

It is claimed that the implement manufacturers' and dealers' associations have been successful in efforts to prevent or delay the passage of such legislation in several States. In other States, however, notably in Minnesota, where the manufacturing operations have been conducted apparently with a considerable degree of success, such opposition seems to have had little effect.

Until recently opposition to legislation authorizing prison manufacturing operations has been less in evidence among the associations of implement and vehicle manufacturers and jobbers' clubs than the dealers' associations. In July, 1910, however, the implement jobbers of Minneapolis appealed to the National Association of Agricultural Implement & Vehicle Manufacturers for financial aid and moral support in opposition to legislation which had been proposed in that State to authorize the manufacture of various kinds of harvesting machinery at the State penitentiary, in addition to the manufacture of binder twine, which had been carried on there for a number of years. The Minneapolis jobbers advised the secretary of the National Association of Agricultural Implement & Vehicle Manufacturers that if such legislation were enacted it would ruin the implement business in that State, and that in view of this fact the jobbers had investigated the possibilities of stopping the activities of the prison authorities by an action in the courts to have the manufacture of implements in the penitentiary declared illegal. As the jobbers felt that the manufacturers would be as much affected as the jobbers, the latter felt that the members of the National Association of Agricultural Implement & Vehicle Manufacturers should bear a portion of the expense of such a suit. The executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers directed the secretary of the association to get in touch with the parties interested, and assure them of the interest of the manufacturers' association in the matter. The committee also ex-

pressed its opinion that steps should be taken by the association to secure the passage of a National law forbidding States to manufacture goods at penal institutions.

In further correspondence with the Minneapolis jobbers, the latter explained that during the three preceding sessions of the Minnesota Legislature, the implement houses at Minneapolis had maintained a committee to fight the proposition, with only partial success, as the legislature had authorized the expenditure of a considerable sum of money to equip and operate a factory for building binders, mowers, and hayrakes, and a number of experimental machines had been made in 1909. It was pointed out that, while the quantity made up to that time was not great, the prices asked by the State were so far below those that regular manufacturers and dealers had to ask that it was easy to see what the result would be when the output became larger. Furthermore, a strong effort was being made to have manure spreaders added to the line manufactured at the penitentiary. In regard to the legal action contemplated, the manufacturers' association was advised that the plan had been outlined, making citizens of Minnesota parties to the suit, so that the manufacturers' association was not expected to have anything to do with starting the action, but were asked to help in providing funds. The executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers requested the attorney of that association to render an opinion on the constitutionality of the Minnesota law, and in doing so he reached the conclusion that the establishment of manufacturing operations was in conflict with the State constitution.

Meantime a small number of manufacturers in Minnesota had formed an organization, known as the Minnesota Manufacturers' Association, to oppose legislation such as that authorizing the State to engage in the manufacture of manure spreaders. The board of directors of this association was largely composed of manufacturers and jobbers of implements and allied lines. The chairman was a member of the National Implement & Vehicle Association, and the treasurer was an official of an implement-manufacturing concern at Minneapolis, and also of the implement jobbers' club of Minneapolis and St. Paul. The secretary of this association wrote to the secretary of the National Implement & Vehicle Association, stating that a good man was needed at once and inquiring whether the manufacturers' association could do anything in the matter.

The executive committee of the National Implement & Vehicle Association appears to have become apprehensive concerning the possibilities of a great manufacturing enterprise being built up at the Minnesota State prison, believing that such an enterprise, if successful, would be likely to be copied in other States. At a meeting of that committee held at Kansas City in January, 1911,



the secretary of the association was instructed to investigate this proposition. In company with two Wisconsin manufacturers belonging to the National Implement & Vehicle Association, he conferred with the manufacturers and jobbers in Minneapolis in regard to the proposed attack on the right of the State to engage in prison manufacturing. He reported, however, that he found the local manufacturers and jobbers had become indisposed to raise the issue on the items already manufactured at the prison, because they had been assured that the bill introduced to authorize the manufacture of wagons and manure spreaders would not be presented for passage.<sup>1</sup> Subsequently the Minneapolis wholesalers and manufacturers apparently made some unsuccessful efforts with the legislature to secure the adoption of some resolutions providing for the appointment of a committee to investigate the manufacturing operations at the State penitentiary.

In March, 1911, the secretary of the National Implement & Vehicle Association reported to the executive committee that it had been determined to look into the situation in Wisconsin, where buildings had been built and machinery purchased for the prison manufacture of twine. The chairman of the association's committee on State legislation had been instructed to secure an opinion of the constitutional right of the State to engage in manufacturing. The secretary of the association stated, however, that this opinion, which had been rendered by a prominent attorney of Milwaukee, did not take a sufficiently positive view against the constitutionality of the act to warrant the association in bringing suit. The secretary suggested that the association begin a campaign of education through

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<sup>1</sup> In connection with this reluctance of the local manufacturers and jobbers to take up this matter, the comment of a representative of the National Implement & Vehicle Association is interesting. In a letter to one of the manufacturers he intimated that this was probably due to "the feeling on their part that by allowing the continuance of the manufacture of binder twine they were hitting at a certain large concern which manufactures a large quantity of that commodity." The comment of one of the prominent implement men in Minnesota is also of interest. He asserted that—

there has already been a disposition on the part of the implement fraternity in this territory to avoid the undesirable notoriety which would necessarily follow the trial of such a case in the courts. There has been the ever present fear that the farmers would jump at the conclusion that the implement jobbers and manufacturers were all involved in some huge trade combination for the express purpose of defrauding the farmer, or putting him at the mercy of the implement manufacturers. In other words, the gum-shoe policy has prevailed here in connection with this implement factory proposition as well as in connection with the binder twine proposition twenty-five years ago.

As a matter of fact, it was argued here that to oppose the establishment of a factory in Stillwater for the manufacture of harvesting machinery, including binders, mowers and rakes, the implement fraternity would lay themselves open to a charge of fighting the battles of the International Harvester Co. On one side was the prison competition, on the other side the trust bugaboo. They ran away from the bugaboo and fell into the arms of convict competition.

I am of the opinion that the manufacture of agricultural implements in the State prison will for many years to come be confined to harvesting machinery; or, at least, to the class of machinery now made, namely—binders, mowers, and rakes. There is absolutely nothing, however, to prevent any future legislature from extending at will, the list of goods to be manufactured. The only restraining influence is the fact that some other lines of implements are made in Minnesota by free labor, and a strong argument in favor of making harvesting machinery with convict labor has been that it did not interfere with any enterprise in this State employing free labor. It was for this reason we received only a lukewarm support from the labor delegates and the labor lobby in opposing the measure before the several legislatures.

the medium of farm-trade papers against what he termed the growing tendency in agricultural States to engage in prison manufacturing, especially in those products which affect the dealer-customers of the implement and vehicle manufacturers. He also referred to the appointment of a committee of the Western Retail Implement & Vehicle Dealers' Association to cooperate with the National Implement & Vehicle Association in investigating the cost of manufacturing binder twine at State prison plants, by which means he thought valuable data could be gathered for use to open the eyes of the farmers throughout the West, and also taxpayers, to the fact that few ventures of this sort have shown even paper profits. After some discussion on this report one of the members (who was himself interested in the manufacture of binder twine and cordage) offered a resolution instructing the secretary of the association to begin a campaign of education in States where the danger was most imminent, the work to be done in connection with the association's committee on State legislation. At a later meeting of the executive committee of the National Implement & Vehicle Association, at which the secretary made a report on the situation in Wisconsin, the secretary and two Wisconsin members of the association were appointed to confer with the International Harvester Co. with power to act in the premises. Later, at a conference between this committee and a representative of the International Harvester Co., it was decided that if any move was to be made it should be by a taxpayer in Wisconsin.

## CHAPTER V.

### CONCENTRATION IN OWNERSHIP OF WIND-STACKER PATENTS.

#### Section 1. Introduction.

Efforts to maintain the price of goods of competing manufacturers have not been entirely confined to the cooperative efforts of trade associations. The price-making conditions in the harvesting-machine branch of the industry have been already described in the Bureau's report on the International Harvester Co. In the thresher branch of the industry there exists a patent-holding company, which, through control of numerous patents relating to the stacking of straw and chaff by means of pneumatic blowers or wind stackers, fixes the price at which such stackers are sold by every manufacturer of threshing machinery. The patent-holding company is itself controlled by the managing directors of one of the largest threshing-machine companies.

#### Section 2. Origin of the wind-stacker patents-license system.

The first commercially successful device to carry away the straw and dust from a threshing-machine separator by means of an air blast was invented in the latter eighties by James Buchanan, of Indianapolis, Ind. He organized a company known as the Cyclone Co., to manufacture the stacker which could be attached to threshing machines made by the different manufacturers. Financing this company and introducing its output was an expensive undertaking, and, although outside investors became interested, the capital of the Cyclone Co. was soon exhausted and at the close of the season of 1890 it became financially embarrassed. A. A. McKain, also of Indianapolis, who had become interested in the company, agreed to assume part of its indebtedness in return for territorial rights in the States east of the Mississippi River and in Minnesota, North Dakota, and South Dakota.

Buchanan immediately made application for a patent on the machine he had completed. McKain organized the Indiana Manufacturing Co., under the laws of the State of Indiana,<sup>1</sup> in the early part of 1891 and proceeded to make a number of stackers under Buchanan's invention and to attach them to different makes of separators. The manufacturers of threshing machines were obliged to

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<sup>1</sup> The company was reincorporated in 1900 in West Virginia.

send their separators to the factory in order that the wind stacker might be attached. The Indiana Manufacturing Co. thus began operations as a manufacturing company, but early in the threshing season of 1892 the directors decided to grant licenses to the thresher manufacturers, under which they should be able to make stackers themselves upon payment of royalty.

The first of these license contracts was made in October, 1892, with Gaar, Scott & Co., threshing-machine manufacturers at Richmond, Ind. Under this contract the licensee agreed to pay a royalty fee of \$30 upon each wind stacker covered by the license, to furnish twice a year statements of stackers made and sold under the contract, and to allow the licensor to examine books and accounts concerning the manufacture and sale of stackers. Further, the licensee agreed to maintain a selling price of \$250<sup>1</sup> on time or \$235 cash (except that agents should be allowed a discount not exceeding \$25) and, in case of violation, to pay liquidated damages of \$100 for each violation. The licensee agreed not to dispute the letters patent covered by the license contract nor to make their alleged invalidity a defense in any proceeding under the contract, or a ground of refusal to make payments called for thereunder. Under this contract, the licensor agreed, among other things, to give to the licensee the right to use all improvements, made by them, on the stacker described in the invention, without additional royalty fee. The licensor agreed further that, if more favorable terms were granted to any other licensee, Gaar, Scott & Co. should be entitled to receive them, and such modifications were to become a part of the contract. The licensor was given the right to cancel the contract on failure of the licensee to meet the payment of accruing royalties. In this contract specific mention was made of only two patents, namely, Buchanan's

<sup>1</sup> The manner in which the price of \$250 was decided upon was explained in 1904 by the president of the company. In this connection, he said:

The mounted stacker [the type of stacker generally in use when the wind stacker was introduced] was listed generally at \$200. Its operations required a short carrier which was generally listed by the manufacturers at \$30 additional. The defendant company I believe at that time listed short carriers at \$40. So that in establishing the price of the wind stacker at \$250, as the short carrier was not necessary in any case where the wind stacker was used, the actual increase of price to the user was from \$10 to \$20, while the increased capacity for work enabled him in the beginning to get a cent extra [per bushel] for threshing wheat and a half cent extra for threshing oats. But the extra amount threshed always enabled the operator to earn enough extra in the season to make his payments on the stacker, which were but \$125 annually for two years.

He did not explain the manner in which the price of \$150 for wind stackers attached to clover hullers, corn shredders, and pea and bean threshers was determined.

A brief filed in the Case suit by an attorney of the Indiana Manufacturing Co. in 1905 alleged that it was admitted by the Case company that the selling price of \$250 furnished the manufacturer with a profit of at least \$100. The general manager of the Case company testified that the shop cost of that company in manufacturing stackers was about \$60 to \$65. With the payment of the \$30 royalty fee to the licensor and a commission of \$25 to dealers, this would leave about \$30 or \$35 to cover the selling costs and general expenses of the licensee. In view of the alleged \$100 profit on each stacker, it is perhaps hardly surprising that in testimony offered by several thresher manufacturers in the Indiana-Case suit they concurred in expressing the opinion that \$250 was a reasonable price to the consumer.

patents of 1884 and 1892. Before the end of 1893 nearly all the larger manufacturers of threshing machinery in the United States except the J. I. Case Threshing Machine Co. had taken out licenses. In negotiating these contracts, McKain, as president of the Indiana Manufacturing Co., seems to have held out as a chief inducement the fact that, as all licensees were required to maintain a uniform selling price of \$250 and to make a fixed royalty payment of \$30, all licensees would be assured of a substantial profit.

In 1895 the Indiana Manufacturing Co. gave up the manufacture of stackers altogether, thereafter confining its business exclusively to the acquisition of patents, the issuance of license contracts, and the maintenance of its license system. To build up this license system had already become the principal object of the company. In 1892, arrangements had been made by McKain and three of his associates in the Indiana Manufacturing Co. to acquire the rights in the districts that had been reserved by the inventor, Buchanan. These rights were purchased for the payment of \$10,000 per annum until the expiration of the patent. This agreement was assigned to a company known as the Farmers' Friend Stacker Co., which was organized with a nominal capital of \$50,000. By this arrangement the interests of the two companies were united, and in 1893 the Farmers' Friend Stacker Co. was merged with the Indiana Manufacturing Co. The Indiana Manufacturing Co. also began to acquire other patents relating to the wind stacker. Some were purchased outright, and in other cases arrangements were made to acquire manufacturing rights for the licensees. Some of these patents were acquired from licensees. To the Buchanan patents were added those of Nethery and of Landis, brought out in 1893 and 1894. At this time, or subsequently, were added the patents of Kirshman, Seburn, Springer, Bartholomew, Ross, Russell, Reeves, Robinson, Elward, and others. By 1895 more than 20 patents had been acquired, and in 1904 the number had risen to above 100, the cost of acquiring which is reported to have been approximately \$600,000, in addition to royalties paid to patentees. The company sought to secure not only all patents of fundamental importance, but also those of a subsidiary character. The object of this was not only to strengthen its own position but also to avoid the possibility of vexatious litigation for itself and its licensees. Furthermore, control was secured of the Sattley Stacker Co., manufacturing slat stackers, which sold at a lower price than the wind stacker. The acquisition of this company, which licensed other manufacturers to make slat stackers under its patents, resulted in a diminished sale of slat stackers and an increase in the sale of wind stackers. (See footnote on p. 125.)

### Section 3. Controversy between the Indiana Manufacturing Co. and the J. I. Case Threshing Machine Co.

The payment of royalties to the Indiana Manufacturing Co., under its wind-stacker license system seems to have been especially distasteful to the J. I. Case Threshing Machine Co. The operation of the wind stacker made necessary the use of engines larger than those which had been employed and threatened the use of the power-generating appliance, known as a horsepower, upon which the Case company owned some patents and had built up a profitable license and manufacturing business. The Case company entered into negotiations in 1892 to join with two other companies in purchasing the patents of the Indiana Manufacturing Co., but this plan was given up, and during the seasons of 1893 and 1894 that company stood almost alone among the principal thresher manufacturers in refusing to enter the license system. In April, 1895, however, a license contract was signed between the Indiana Manufacturing Co. and the Case company. After operating under this contract for a time a change took place in the ownership of the Case company, and the new owners complained that the wind stackers which they were making under the Nethery patents of the Indiana Manufacturing Co. were not giving satisfaction and that their company was sustaining heavy losses in attempting to market them. In 1898 the catalogue of the Case company omitted all mention of wind stackers, and the company arranged to secure wind stackers absolutely necessary for its trade from another licensee of the Indiana Manufacturing Co. The Indiana Manufacturing Co. sought to induce the Case company to resume the manufacture of stackers under its license of 1895, but the Case company's attitude in November, 1898, and the reason alleged therefor, are shown in the following extract from a letter from its president to the president of the Indiana Manufacturing Co.:

As you say, if the [Case] T. M. Co. should sell 1,500 wind stackers during the year 1899 they would be owing you under the *terms of the written contract*, \$45,000, and we hasten to notify you that we shall not bear such a burden. If a wind stacker is a necessity to our customers we must manufacture one which will not infringe any of your patents.

In the following month the president of the Indiana Manufacturing Co. had a conference with the Case company. He was told by the legal adviser for the Case company that the license contract was invalid and void, and by the directors that unless the Case company's losses in trying to market the Nethery stacker—estimated at \$170,000—were adjusted the Case company would undertake to make stackers independently of its license contract. No agreement was reached until a later conference between the same parties in January, 1899. McKain then told the Case company that he admitted no just

claim on their part, but, in view of their power, and in order to secure harmony, he agreed to allow about \$46,000 in settlement of their claims. This offer was accepted, and a supplementary contract was entered into, providing that the Case company should resume the manufacture and sale of stackers under its contract of 1895 and not question its validity for the future, and that royalties accruing each year to the Indiana Manufacturing Co. in excess of a fixed sum should be retained by the Case company, until the amount agreed upon had been fully paid. When the settlement of the business for the season of 1901 was made, the Case company received the last payment due it under this contract.

The license agreement entered into with the Case company in 1895 contained substantially the same provisions that were included in the contract made with Gaar, Scott & Co. in 1892, and subsequently with other licensees. It, however, empowered the licensee to manufacture, use, and sell wind stackers, embodying the claims of 21 United States patents and two Canadian patents specifically named, as well as patents that might be issued on applications then pending, and a considerable number of patents for whose use the Indiana Manufacturing Co. had secured the right to grant sublicenses. It also provided that the term of contract should extend "until the full end of the term of any such patent, and any of the inventions of any of the aforesaid letters patent controlled by the said party of the first part [the Indiana Manufacturing Co.] by means of any license or agreement so long as the licenses or agreements relating thereto are of force, and any inventions which may be hereafter acquired by the party of the first part."

While the right to manufacture, use, and sell wind stackers embodying inventions under subsequently acquired patents was not specifically included in the earlier Gaar-Scott contract, it would seem to have been implied in the agreement to allow the latter the use of all improvements that the Indiana Manufacturing Co. might make on Buchanan's invention, and as favorable terms as those made to any other licensee. At any rate no controversy appears to have arisen over this matter.<sup>1</sup>

In August, 1902, the so-called Elward patent which had originally been issued in December, 1901, on an application filed in January, 1893, was reissued. The inventor claimed that his patent was infringed by every wind stacker in use, and announced his purpose to compel the manufacturers of threshing machinery to pay him for its use. This announcement alarmed many of the licensees of the Indiana

<sup>1</sup> Some licensees seem to have felt, however, that the Indiana Manufacturing Co., in purchasing patents from various licensees, might in some instances have paid amounts in excess of the real value of the patents so acquired, and thus have violated the agreement to give all licensees equal treatment.

Manufacturing Co., and, accordingly, the president of the latter company hastened to arrange to purchase the Elward patent for \$100,000. The acquisition of this patent was made not only to protect the company's licensees from the threatened attack of Elward, but also in pursuance of the policy of the Indiana company to acquire all desirable patents relating to wind stackers. Furthermore, the dominating character of the Elward patent greatly strengthened the position of the Indiana company. In fact, it was considered only second in importance to the original Buchanan patent.

The ownership of the Elward patent also furnished a means by which the period of the license contracts might be extended beyond the expiration of the Buchanan patent in 1909. As already shown, the Case company contract of 1895 had contained a provision extending its existence to the end of any of the patents therein mentioned. The contracts then in force with other licensees provided that all should share alike in respect to any privilege granted to any licensee. On the whole it was thought best to enter into new contracts with all the licensees, giving them the right to use the Elward patent and others that might be acquired without the payment of additional royalty. By the new contract it was expressly agreed that this provision should apply to any and all newly obtained or acquired patents and inventions and that the license should be in force until the end of the term of each and all of the patents mentioned. Barring unforeseen contingencies, this assured the Indiana Manufacturing Co. of the enjoyment of its royalties until the expiration of the Elward patent in 1918. Otherwise, its income might be seriously threatened after the expiration of the Buchanan patent in 1909.

It should also be noted that the new form of license prepared at this time required orders for stackers to be taken separately from orders for other machinery. The purpose of this was to prevent concessions in the fixed selling price for stackers which might be concealed if the price were not shown as a distinct item.

In the meantime F. L. Norton, then superintendent of agencies of the Case company, had perfected certain patents which he claimed would permit that company to manufacture wind stackers without infringing the patents of the Indiana company. When the treasurer of the Indiana Manufacturing Co. visited the Case company in March, 1902, Norton requested him to call the attention of the president of the Indiana Manufacturing Co. to these patents. The latter met Norton at Chicago in April, 1902, who told him that the Norton wind stacker was not covered by any of the valid claims of the patents of the Indiana company. Much was said on both sides, but, after examination of the Norton patents, the patent attorney of the Indiana company reported that the Norton stacker was covered by



claims of several of the Indiana company's patents. He also reported that Norton had granted a shopright under his patents to the Case company, and that he wanted the sum of \$250,000 for the title to his patents, for which he would accept the royalties accruing under the license contract between the two companies as his first payment.

The president of the Indiana Manufacturing Co. testified subsequently that when that company refused to buy these patents subject to the shopright in the Case company, it was informed that the supplemental contract of 1899, which the Case company had made to secure the payment of the damages claimed by reason of defects in the stackers it had manufactured under the Nethery patents, had now been fulfilled, and that, if the Indiana company should begin suit under the license contract between the two companies, the whole wind-stacker business would be broken up, and within 60 days wind stackers would be selling for \$150. Notwithstanding this attitude, when the Case company refused to pay royalties for 1902 the Indiana Manufacturing Co. proceeded to bring suit.

The bill of the Indiana company which was filed in the United States Circuit Court for the Eastern District of Wisconsin in April, 1903, asked for an injunction against the infringement of the Buchanan patent of 1892 and four later patents by Landis and Nethery, or any use of them not in accord with the terms agreed upon, and for an accounting under its license contract with the Case company. The latter in its answer contended that there had been no infringement, and, even if there had been, the contract was not enforceable, for, if ever valid, it had been broken by the Indiana Manufacturing Co. in granting more favorable terms to other licensees;<sup>1</sup> furthermore, that it was void from the beginning as a part of an illegal combination in restraint of trade.

The decision of the circuit court, rendered August 22, 1906 (148 Fed. Rep., 21), found that the Indiana Manufacturing Co. had confederated with all the manufacturers of threshing machines in the country in a plan of uniform licenses under combined patents with a uniform price for the product. It held in effect that the license system of the Indiana Manufacturing Co. extended beyond the monopoly intended to be created by the patent law in the beneficial use of specific inventions, and that the system was intended to create a further monopoly by combining patent rights in violation of the law. In the opinion of the court, the devices of all the patents of the Indiana Manufacturing Co. were not capable of conjoint use in a single machine—a number of them covering noninterfering de-

<sup>1</sup> Relying apparently on the different prices that had been paid certain other licensees for patents or for the right to manufacture under them.

vices performing the same functions and capable of independent use by different manufacturers.

While this suit was pending on appeal in the circuit court of appeals, in the latter part of 1906, a crisis arose in the affairs of the Indiana Manufacturing Co. The president of the company, who was one of its largest stockholders, had pledged his shares as collateral for loans for investment in other enterprises, which had proved unsuccessful. The Indiana Manufacturing Co. was heavily in debt, and the litigation with the Case company had involved much expense. Trustees who had been appointed to manage the personal affairs of the president of the company were also appointed, in March, 1907, as an executive committee to exercise the duties of the directors in managing the affairs of the company. The president of the company consented to a sale of his shares of stock, and the vice president of the company, Theophilus King, who was one of the president's personal trustees and a member of the executive committee, was authorized to sell these shares. During the spring of 1907 King visited the office of the Case company and offered the shares at \$55, but this offer was refused, Norton, of the Case company, taking the position that as soon as the Buchanan patent expired in 1909 the Case company could do all its own business under the Norton patents and not be obliged to pay royalty to the Indiana Manufacturing Co. As King made no headway, he at once began negotiations with a committee of different thresher manufacturers and gave them an option to purchase the stock at \$40 per share.

In an opinion filed in April, 1907 (154 Fed. Rep., 365), the Circuit Court of Appeals for the Seventh Circuit reversed the decision of the circuit court referred to above. In the view of the court of appeals the license contracts, in requiring the licensees to maintain a uniform selling price, were not in violation of the law. The contentions that the Indiana Manufacturing Co. had itself first violated the contract and that there was no infringement were both found to be unsustainable by the evidence. The court therefore reversed the decree of the lower court, and directed that a decree be entered in favor of the Indiana Manufacturing Co., in accordance with the prayer of the bill of complaint. It was said that, in permitting a customer to get a stacker as a part of the separator of his choice, rather than confining the use of stacker patents to a single manufacturer, the Indiana Manufacturing Co. had given the public something beyond the power of the latter to demand. The opinion did not regard the patents sued on as competing patents. The concurrence of one of the judges in the result was based upon the view that—

The patents as an entirety, therefore, constitute a single mechanical evolution—are blossoms from the same trunk—and in

no sense are competitive patents; from which it follows that their concentration in one control is in no sense a combination to prevent competition.

A petition for a writ of certiorari was then filed in the Supreme Court of the United States.

#### **Section 4. Result of settlement with the Case company.**

Shortly after the decision adverse to the Case company in the circuit court of appeals, Frank K. Bull, president of the Case company, reopened negotiations with officers of the Indiana Manufacturing Co., intimating that he might be able to organize a syndicate to purchase a controlling interest in the stock of the latter company. Up to this time the negotiations appear to have been only for the sale of the stock owned by the president of the Indiana company, whose holdings fell considerably short of a majority of the shares.

During the negotiations for control of the Indiana Manufacturing Co. which followed, it is claimed that no discussion took place regarding the settlement of the litigation which was pending in the Supreme Court of the United States, awaiting a decision of that court on the petition to grant a writ of certiorari. The brief which had been filed in support of the petition by the attorneys of the Case company sought to show that the Indiana Manufacturing Co. really held not merely a patent monopoly authorized by the patent law, but that it really amounted to a monopoly of competing patents covering the whole wind-stacker industry, and that, therefore, the company had effected an illegal combination in restraint of trade, even if the license contracts were valid when based upon a single patent. This raised the question whether numerous patents, pertaining to a given industry, including those of different inventors, might lawfully be brought under a single control to deprive the public of the benefits of competition which they would otherwise enjoy.

The decision in the circuit court of appeals had been favorable to the Indiana Manufacturing Co., but the contest had proved a severe strain upon its resources, and it was on the verge of bankruptcy. The prospect of further expense necessarily involved in continuing the suit in the Supreme Court, and the uncertainty as to what action that court might take in regard to the petition before it, must have been matters of serious concern to both parties. If the petition for the writ was granted, the Indiana Manufacturing Co. faced the possibility of an adverse decree, which might end its existence, while, on the other hand, the Case company was confronted, not only with being obliged to pay over the sum of \$235,000 on accrued royalties that had been paid into court pending final adjudication, but also of continuing the payment of royalties on future business. The Supreme Court granted the petition to file the writ on October 21, 1907 (207 U. S.,

587), but 12 days earlier, on October 9, an agreement was reached between officers of the Indiana Manufacturing Co. and directors of the Case company by which the latter purchased a majority<sup>1</sup> of the shares of the Indiana Manufacturing Co.'s stock, the total issue being 15,000 shares. By this purchase, however, it must have been obvious to the buyers, who already owned nearly all of the capital stock of the Case company, that if the litigation were continued their interests would be protected, whatever its outcome might be. Moreover, if the litigation were settled, it would allow the purchasers to participate in the profits from the royalties accruing from all the different licensees of the Indiana company, including the \$235,000 of accrued royalties that had been paid into court by the Case company.

The first payment for the stock to be transferred was made on October 9, the money being furnished by a Wisconsin bank on the joint note of the purchasers. It was agreed that until the purchase price was paid the Union Trust Co., of Indianapolis, should vote the stock as it might be requested to by a trustee acting in behalf of the purchasers and a trustee acting in behalf of the sellers, the sellers and purchasers agreeing that the existing executive committee of the Indiana Manufacturing Co. should be continued until the stock was paid for by the purchasers, vacancies in this committee to be filled by persons designated by the Union Trust Co.

Considerable secrecy was thrown about the purchase of the shares, the reason subsequently alleged being that confusion in the minds of competitors of the Case company in distinguishing between the directors as individuals and the Case company as a corporation might lead to a material reduction in the earnings of the Indiana Manufacturing Co. Later, officers of the Indiana Manufacturing Co. testified that at the time they were not aware of the personnel of the syndicate, although they understood that the Case associates constituted at least a part of the syndicate. Pending full payment on the stock no transfer of shares was to be made on the books of the Indiana Manufacturing Co. Meantime the shares were to be deposited in escrow with the Union Trust Co., of Indianapolis. It was understood that the depositing stockholders should not part with control until completion of the payments. Furthermore, the purchasers caused a sealed envelope to be deposited, containing instructions as to the parties to whom the stock should be distributed when it should finally be delivered. Even the trustee who was appointed to look after the interest of the purchasers in the transaction of purchase was not informed regarding the personnel of the syndicate.

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<sup>1</sup> In this connection, the president of the Case company, who was one of the purchasers, has testified, as follows:

We wanted to control the company. \* \* \* We bought the stock for an investment. If we put in the amount of money that we put in as an investment we would want control. That is exactly the condition we made on a former tentative offer for the stock.

Shortly after the first payment was made on the stock that had been deposited, a change took place in the ownership of the Norton patents by which Norton transferred an equal interest to each of the purchasers, Norton himself being given an opportunity to participate in the purchase of the shares of the Indiana company. These arrangements were made as part of one transaction. Up to this time King had unsuccessfully endeavored to acquire the Norton patents for the Indiana Manufacturing Co. King had been instructed by the executive committee of the Indiana Manufacturing Co. on November 21, 1907, to settle the suit with the Case company, to take down the royalties that had accrued in court, and to pay one-half of this amount to the Indiana Manufacturing Co. and a sum equal to the other half for the purchase of the Norton patents and those which Norton might thereafter acquire down to the end of the Elward patent. The agreement between the two companies provided that the accrued royalties in the possession of the court should be deposited with the American Trust and Savings Bank, of Chicago, one-half of the amount to be paid to the Indiana Manufacturing Co. and the other half to C. H. Lee, trustee of the Norton patents. It was also provided that a new license contract should be entered into which Norton might thereafter acquire down to the end of the Elward patent, the Case company also transferring its shopright in the Norton patents, on which it was to be allowed a royalty of \$5 upon each stacker it made. It was further agreed that the suit in the Supreme Court should be withdrawn and discontinued.

The making of the new license contract with the Case company, the settlement of the litigation, the purchase of the Norton patents, and the transfer of the shopright of the Case company under those patents were finally completed early in December, 1907, all at one time, but as distinct transactions. Norton insisted that the purchase money for his patents should not come into the hands of the Indiana Manufacturing Co., partly perhaps because that company was largely in debt and had been kept out of the hands of a receiver only by reason of loans that had been advanced by King.

Shortly after these agreements were signed the Case associates, on December 9, anticipated the second payment on their shares, the money which had been paid for the Norton patents being used for this purpose. The final payment was made in November, 1908, after which the stock was delivered to the Wisconsin Trust Co., of Milwaukee, in whose hands it apparently remained as security for purchase money advanced until April, 1910, when the shares were distributed to the new owners. Meantime, Norton had become a director of the Indiana Manufacturing Co., in March, 1909. Subsequently, one of the Case associates testified that the purchasers expected to have no voice in the management of the Indiana Manufacturing Co.

until the shares were fully paid for. He testified that the executive committee was to continue in charge meantime. He denied, however, that this arrangement was made so that in the event of a settlement of the litigation it might have the appearance of being handled by some one other than the purchasers.

It is claimed that the Case company advanced none of the purchase money for the shares, either directly or indirectly, and did not have the slightest interest in that transaction.

At the request of counsel, the proceedings in the Supreme Court were dismissed on December 16, 1907 (207 U. S., 603), and in January, 1908, the circuit court entered the decree which had been ordered by the circuit court of appeals in favor of the Indiana Manufacturing Co.

The acquisition of control of the Indiana company by the Case associates, and the concession by which the Case company was to be allowed a royalty of \$5 on each stacker under the patents of the Indiana Manufacturing Co., caused unrest and dissatisfaction among other licensees of the latter company. Moreover, many of them felt that the payment of a large sum for the Norton patents, even if paid to the Case associates as individuals, was merely a colorable transaction to conceal a rebate to the Case company of one-half of the royalties that had accrued. Under the contract each licensee was entitled to equal treatment with every other licensee. To fulfill this agreement, and probably to prevent the possible recurrence of any accusation of the grant of unwarranted rebates under the licenses that might arise in the purchase of patents from licensees, the Indiana Manufacturing Co., in 1908, submitted a supplemental contract to each licensee, known as the patents purchase agreement<sup>1</sup> (Exhibit 21, p. 304), by which it was agreed that any licensee who would agree to turn over to the Indiana Manufacturing Co. all patents which he might own or acquire during the term of the license contract, would

<sup>1</sup> At a meeting of the stockholders of the Indiana Manufacturing Co., held Mar. 31, 1909, the chairman explained the reason for the adoption of the patents purchase agreement. His explanation is recorded in the minutes of the meeting, as follows:

On account of the expiration of the Buchanan patent there were more or less disturbed conditions amongst our licensees; that there had been a suggestion that when the Buchanan patent expired that possibly the royalties would be reduced and while it was nothing more than a suggestion, it was thought best to meet this situation if possible, and at the same time secure for the company a return that would aid in making our future as certain and sure as possible, and out of these negotiations with our licensees came what we call our "patents purchase agreement" which contemplates the turning over to us by any licensee who signs it all the patents pertaining to wind stackers which it may have at the time or which it may invent or acquire in the future; and for this consideration we pay for each stacker made during each year \$5 where it is applied to threshing machines and \$3½ where it is applied to clover hullers, corn huskers, or pea or bean threshers. After a great deal of negotiation the majority of our licensees accepted this patents purchase agreement and we now have 41 such contracts with various licensees. There are some 7 licensees who have not signed this contract; 3 of the 7 while refusing to sign it have paid their royalties in full; 4 concerns refused to sign it alleging one thing or another. They also have up to this time refused to pay their royalties. Suit has been brought against the Nichols & Shepard Co., the concern owing us the largest amount; M. Rumely Co., Port Huron Engine & Thresher Co. and Minneapolis Threshing Machine Co. are the other three concerns who have refused to make payment of their royalties and after some further negotiations with them if they still refuse to pay, suit will be commenced against them.

be allowed the sum of \$5 on each stacker manufactured by him as licensee of the Indiana company. This extended to all licensees who were willing to agree thereto, the same advantage that had been given the Case company under its agreement to turn over its shopright in the Norton patents and other patents which it might acquire. The great advantage to the Indiana Manufacturing Co. in this arrangement lay in the fact that it promised to vest in that company the ownership of new inventions as soon as they were patented. It was not impossible, moreover, that among such patents there might be included some of fundamental importance and some that might be used to compete with others already in the hands of the Indiana Manufacturing Co. The advantage to licensees lay in the reduction of rate of the royalty payment under the license contract and in the further advantage that any patent thus acquired by the Indiana Manufacturing Co. could be used by each of the licensees. Finally, it promised to perpetuate the license system and profits of company so long as it should hold any patent in general demand among threshing-machine manufacturers.

Some of the dissatisfied licensees of the Indiana Manufacturing Co. refused to enter into the supplemental agreement for the transfer of their patents to the Indiana Manufacturing Co. Furthermore, some of them looked upon the royalty fee of \$30 as unreasonable. The important Buchanan patent was about to expire, and, in January, 1909, five of the licensees refused to pay the royalties due at that time for the use of the Indiana Manufacturing Co.'s patents during 1908. The disputes with these licensees resulted in the institution of five suits at law against them by the Indiana company to recover the license fees. One of these companies settled in full for 1908, but in January, 1910, refused to pay royalties for 1909, and suit was then started against it. Suits in equity were also filed against two of the same licensees to enjoin them from infringing the patents of the Indiana company and from violation of the conditions attached to their use of the company's patents as fixed by their license contracts. Practically the same questions were raised in all these cases. The licensees set up the defense that the license contract was in illegal restraint of trade and in violation of the Federal and State antitrust laws;<sup>1</sup> that the Indiana Manufacturing Co. had given better

<sup>1</sup> In this connection, the answer of one of the defendants read, in part, as follows :

The said contract [the license contract] \* \* \* was and is \* \* \* an illegal contract in restraint of trade or commerce among the several States and with foreign nations, and was one of numerous similar contracts simultaneously entered into by substantially all the manufacturers and dealers in pneumatic stackers in the United States, all of whom were and are engaged in commerce among the several States including them, it having been a part of the mutual agreement when it was executed that it should only take effect and become operative when similar contracts were executed by substantially all those engaged in the business to which it relates among and throughout the United States, that is to say, the business of manufacturing and selling pneumatic straw stackers, this contract and similar ones executed by substantially all those engaged in such business in the United States and among the several States having been devised and procured by complainant in

terms to other licensees by way of alleged rebate or other concessions in violation of a provision of the license contract (the transactions with the J. I. Case Threshing Machine Co. being specifically referred to, as well as certain alleged concessions to the International Harvester Co. of America, the Avery Manufacturing Co., and others, by way of the purchase of patents), and that better terms had been given to certain licensees in the making of the patents purchase agreements which were claimed to be illegal and void. Furthermore, the violation of a law of the State of Indiana requiring the filing of copies of patents with certain affidavits when such patents were sold, was alleged. The court sustained the plaintiff's demurrer to each of the paragraphs of the defendant's answer except that alleging the grant of better terms to other licensees by way of the purchase of patents. The court ruled that to make such transactions with other licensees a violation of the license agreement the pleading must show that such transactions were fraudulently made, for the purpose of giving concessions amounting to a reduction in the royalty. The answer of the defendant, however, did not allege fraud.

None of the cases came to an actual trial in court, although depositions of the officers of the Indiana Manufacturing Co. and of the Case company were taken, under an agreement that all the depositions could be used in all the suits. The suits were settled by the respective licensees paying up all royalties in full, each of them, however, making a new license agreement in the form shown as Exhibit 20, on page 299, and also becoming parties to the patents purchase agreement. Thereupon the cases were dismissed.

In the settlement of these disputes a concession was made in allowing the licensees a discount of \$3 on each stacker from the stipulated terms for cash payment of royalties. Accordingly, a general letter was sent to all licensees notifying them that under the terms of their

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purauance to a combination and conspiracy for the purpose of establishing and maintaining a monopoly in said business, and only delivered to become effective when entered into by a sufficient number thereof to establish and maintain such monopoly throughout the United States irrespective of the validity and legal effect of any patents that might remain in force after the expiration of the said Buchanan patent; that complainant and its predecessor in business, The Farmer's Friend Company, were, for about ten years, prior to the execution of the said contract, the owners of the above mentioned Buchanan patent of January 19, 1892, and a patent to the same Buchanan for improvements in straw-atacking machines, issued April 29, 1884, No. 297,561, which patents together, if valid to the full extent of their terms, would, as pioneer and basic patents, secure while in force, a lawful monopoly in the pneumatic-stacker art, but the expiration of which would throw this art open to practical commercial competition and to a consequent large reduction in the selling price thereof, if the monopoly were not extended by contract between the principal manufacturers of pneumatic stackers in the United States; that when the inventions purporting to be covered by said Buchanan patents accrued to the public by operation of law, it became practicable for the various manufacturers, without infringing any valid patent, to make and market successful pneumatic stackers, serving amply all the purposes required of such stackers, and to sell them at a reasonable profit at prices greatly below those prescribed in said contract; that thereupon, all or substantially all the manufacturers thereof in the United States, for the purpose of prolonging such monopoly indefinitely beyond the terms of said patents and maintaining excessive prices thereon, combined and conspired together as aforesaid, devising and concurrently executing said contracts whereby, irrespective of the validity or legal effect of any patents said complainant had acquired or might thereafter obtain, it was sought to perpetuate such monopoly after the patents on which it was originally based expired, and such would be the practical effect if said contract is held valid, enforceable and operative after the expiration of said Buchanan patents.



contracts they would be entitled to this discount in making settlement on stackers made and sold during 1911. They were also notified that in the settlement of disputes with the licensees in question the latter had been given the right to cancel the license agreement at the expiration of the Elward patent, in December, 1918, or to continue it until the full end of the terms of each and all of the patents recited in the contract as owned by the licensor, or any reissues thereof, or for such shorter period as the licensee might elect, upon the terms of the license contract, or such terms as might be mutually agreed upon. The various licensees were requested to signify their acceptance of these offers. These provisions are included in the form of license contract now employed by the Indiana Manufacturing Co., a copy of which is shown as Exhibit 20, on page 299.

### Section 5. Significance of the patents license system.

The purpose of the Indiana Manufacturing Co. to acquire complete domination over the wind-stacker feature of the thresher business is shown in its aggressive efforts to acquire all desirable patents relating thereto. Such a policy was necessary to prevent litigation and maintain the integrity of its license system. At the present time the company owns or controls about 170 distinct United States letters patent, including virtually all those essential to the operation of a commercially successful wind stacker. In other words, it has secured practical control of the patents in this line. Furthermore, its position is strengthened by its control of the Sattley Stacker Co.<sup>1</sup>

The control of the fundamental Buchanan patent in the hands of the Indiana Manufacturing Co. undoubtedly precluded an effective concentration of wind-stacker patents in other hands. Thresher manufacturers early became convinced of the absolute necessity for securing the right to manufacture under the Buchanan patent. The

<sup>1</sup>The reasons for acquiring the patents controlled by the Sattley Stacker Co. were explained by the former president of the Indiana Manufacturing Co. as follows:

The Sattley stacker, while being of the same general construction of other endless apron carriers and stackers, was an improvement upon them to the extent that it was attached to the separator and not on separate trucks, and consequently not subject to alignment in setting; it also had enclosed sides and top so as to prevent the straw from blowing away while in operation, and it was manufactured by a wealthy corporation, who, in their advertisements, were taking advantage of the prejudice still remaining among farmers and threshermen who were not well disposed or unacquainted with the merits of the wind stacker proper, by advertising in trade publications and otherwise, "Don't blow your money away"—intimating that the wind stacker was wasting grain. It, by catering to the prejudice, was retarding the general use of the wind stacker and costing the Indiana Manufacturing Company about \$30,000 or \$35,000 a year to combat it. It was also sold at a lower price, which was elastic, and the commission to agents or dealers was set at \$40; whereas the agent or dealer in selling wind stackers received but \$25. This condition induced many dealers to talk the Sattley stacker, and sell it to customers who would otherwise have bought wind stackers. When, therefore, the owners of the patents came to us and offered to put the commission at \$25 and establish a uniform price of \$200 for their stacker, we thought the saving of the expense and advertising, and compelling the stacker to be sold on its merits, and not through prejudice, and removing the inducement for agents to give it the preference over the wind stacker, were sufficient reasons to induce us to make the arrangement. We thought it would result in the diminished sale of the Sattley stacker, and it had that result; the result being that the sale of Sattley stackers was falling off and the sale of wind stackers increasing from year to year.

acquisition of the Elward patent by the Indiana company rendered its position still more secure. Under such conditions it is not strange that the control of other patents passed to the Indiana Manufacturing Co.

A question of great public interest raised by the wind-stacker patent situation has already been mentioned, namely, whether this monopoly of patents is lawful; that is, whether it transcends the monopoly in regard to specific patents, which the patent law was intended to create. The case of the Indiana Manufacturing Co. presents some phases distinct from the case that would exist if its patents were vested in a single threshing-machine company which refused to license its competitors. Although controlled through stock ownership by the managing directors of the J. I. Case Threshing Machine Co., the Indiana Manufacturing Co. itself is not now a manufacturing company; it is purely a patent-holding company, whose business relates almost solely to the sale of the right to manufacture under its patents. It is claimed that the right is open to any thresher manufacturer who agrees to the terms of the license contract, including the agreement to maintain a fixed selling price. It is not shown that any thresher manufacturer who applies for a license contract is required to also execute one of the patents purchase agreements, but it is clear that if he does so he is allowed a reduction in the royalty rate under that contract. It is also clear that the patents purchase agreements tend to strengthen the monopoly of the Indiana Manufacturing Co. In this connection, it should be pointed out that the profitableness of the business of the Indiana Manufacturing Co. depends upon its ability to control some patent fundamentally necessary for the successful operation of a wind stacker. The Buchanan patent was of this character and the same is true of the Elward patent.

In view of recent decisions of the courts, it is also a fair question as to whether the agreement of the licensees to maintain a uniform selling price is lawful. If, as indicated in the footnote on pages 123-124, the continuation of the license system after the expiration of the Buchanan patent was due largely to an agreement among the thresher manufacturers themselves, it would appear that such action was unlawful. At any rate because of the concentration of patents in the hands of the Indiana Manufacturing Co., and the agreement to maintain prices, it is obvious that the public may be deprived of the benefit of lower prices that would naturally follow from the competition of different manufacturers producing noninfringing devices.

A further phase of the situation remains to be considered, namely, the significance of the control of the Indiana Manufacturing Co. itself by the managing directors of the J. I. Case Threshing Machine Co. This fact virtually places the control of the wind-

stacker patent monopoly in the hands of the Case company, although it should be pointed out that this ownership has not produced any noticeable change in the policy of the Indiana Manufacturing Co. toward other licensees or the public. It is hardly probable, however, that the new stockholders would attempt to deprive licensees competing with the Case company of their rights under their license contracts, or that they would avail themselves of the power to refuse to enter into a license contract with new companies that might attempt to enter the thresher trade.

Attention should be called, however, to the fact that each licensee in its royalty report to the Indiana Manufacturing Co. is required to furnish a list of the names and addresses of those to whom they have sold wind stackers. (See Exhibit 22, p. 305.) This requirement probably originated in the effort of the Indiana Manufacturing Co. to prevent the sale of wind stackers directly to users at reduced prices by allowing them the agent's commission. Having the name and address, it was comparatively easy for the Indiana Manufacturing Co. to determine whether the customer was entitled to an agent's commission, and, if not, to call the licensee to account for failure to maintain the selling price fixed by the license agreement. With the transfer of control of the Indiana Manufacturing Co. this information apparently became available to the directors of the Case company, who could thus secure information regarding the business of their competitors which none of the latter would be likely voluntarily to place at the disposal either of the Case company or its directors.

Finally, one of the principal results of the acquisition of control of the Indiana Manufacturing Co. by the directors of the Case company was to deprive the public of any benefit that might have come from a decision by the United States Supreme Court in the suits between these companies on the question as to whether the concentration of patents relating to a particular branch of the mechanical arts transcends the rights of patentees as a combination in restraint of trade, and whether the Indiana Manufacturing Co. is within its rights in requiring its licensees to maintain uniform sale prices to users. It should be noted, moreover, that the patents purchase agreement had not been devised at the time that the Case suit was brought, and consequently the court was not called upon to determine the legality of this method of inducing the various licensees to pool their patents by transferring them to the Indiana Manufacturing Co.

## CHAPTER VI.

### RESTRICTION OF RETAIL TRADE TO RETAIL DEALERS.

#### Section 1. Introduction.

**THE DEALERS' CLAIM TO THE RETAIL TRADE.**—The federated associations of implement and vehicle dealers assert that manufacturers and wholesalers who sell through retail dealers should confine their sales to that channel of distribution. Their position is summed up in the claim that “to the retail dealer belongs the retail trade.” They assert that it is not fair for any manufacturer or jobber who sells through dealers also to sell by any other method of distribution which threatens to impair or destroy the trade of their dealer-customers, who have invested their capital in the manufacturers' goods for the purposes of resale.

The forms of distribution to which these retailers' associations are especially opposed are sales directly to farmers and sales through irregular dealers. In this connection they object to the sale of goods through farmers' cooperative stores or through branch retail stores controlled by the manufacturer. They believe that manufacturers and wholesalers who seek the trade of dealers should not furnish a supply of goods to mail-order houses, and they have been engaged in a constant struggle to devise means by which to minimize the competition of the mail-order or catalogue house itself.

The same reason underlies the opposition to all these forms of distribution in which the dealer is not a factor, namely, that such sales tend to impair the profitableness of the retail business. Furthermore, the dealers are opposed to legislation authorizing any State to engage in the manufacture of any kind of farm machinery or accessories at penal institutions, because of the fact that the output of such factories is usually sold at prices below those charged for goods made at factories employing free labor, which are sold by dealers.

To support their claim that “to the retail dealer belongs the retail trade,” the dealers contend that any economy in distributing expenses that may be effected by the methods objected to is more than offset by the loss in service to the farmer on the one hand and to the manufacturer and wholesaler on the other. The dealers assert that they offer a service to the farmer in setting up and operating

machines, in providing repairs quickly, and in the selling of goods on credit, that is greatly superior to that offered by any other plan of distribution. They further assert that the sale of goods through dealers is more economical and satisfactory to manufacturers and wholesalers.

Most manufacturers and wholesalers of farm machinery have voluntarily adopted the plan of selling through dealers, a fact which has been of much importance to the organized dealers in efforts to secure the manufacturers' cooperation in confining sales of their products to sales made through the retailers. At the same time the dealers have also found that some manufacturers and wholesalers protect the dealers only because they feel compelled to do so.

The desire for protection against such competition was the chief cause for the organization of dealers' associations which took place in the late eighties and early nineties. From the standpoint of the dealer the situation was acute. One of the leading implement trade papers claimed that manufacturers had been too free in dealing directly with farmers and in placing their goods on sale with irregular agents, but it was alleged that the manufacturers were waking up to the importance of dealing "more frankly with the local dealers." It was pointed out that something was wanted that would put the business on a more solid basis; something that would relieve the "overcrowding and weed out the irresponsible agents who sold on commission," and put a check on the manufacturer or jobber who exhibited a weakness for selling to farmers at wholesale prices. To remedy the situation the dealers were urged to organize for systematic cooperation with the manufacturers.

Shortly after the Kansas dealers' association was formed, in 1889 (see p. 9), a committee of its members was appointed to confer with the Kansas City Implement Dealers' Association, as the implement jobbers' club was then known, in order to protest against retail sales by the jobbers at wholesale prices. It was reported that this protest was favorably received by the jobbers and that the members of the dealers' association agreed to patronize jobbing houses who afforded such protection. In 1892 the members of the Western association pledged themselves to report to the secretary of the association all jobbers and manufacturers who sold directly to farmers or to persons not regularly in the implement trade. It was made the duty of the secretary to take such reports up by correspondence and adjust them to the satisfaction of the dealers making the complaint. In case the offending jobber or manufacturer refused to comply with the requests of the dealers, the entire correspondence was to be submitted to the board of directors for report at the next regular meeting of the association. This plan seems to have been the one that was adopted at that time by most of the dealers' associations. In January, 1896,

the members of the Western association adopted the following resolution :

*Resolved,* That we should pledge our support and patronage to none who will not in turn use their utmost endeavor to merit our good offices by refusing to sell to any person who is not a legitimate dealer in the retail implement business, and that those who continue persistently to sell to other than legitimate dealers shall be placed under the ban of this association.

To assist manufacturers and jobbers in distinguishing between regular and irregular dealers, the retailers' associations found it necessary to decide what qualifications should be taken to constitute a regular dealer. A definition of this sort, adopted by dealers' associations in Nebraska and North Dakota in 1895, was as follows :

Any person who is engaged in retailing implements or vehicles, who carries at all times a stock of implements, or vehicles, adequate to the wants of the community, and who may regularly maintain an office as an implement or vehicle dealer, and keep the same open at proper business hours, will be considered a dealer under this article.

The minutes of the Western association show that during 1895, 1896, and 1897 complaints were freely discussed among its members, and in 1896 this association began the publication of an official bulletin known as the Implement Dealers' Bulletin. Announcement was made that it would be the policy of the Bulletin to labor for the protection of regular dealers from the encroachment of "illegitimate" ones. One of the regular features of the Bulletin was the publication of a summary of complaints of direct and irregular sales, but the names of the parties were not usually given. Communications published in the Bulletin urged members with complaints to come to the convention of the Western association in January, 1897, prepared to make a strong case against any guilty party, with all the facts in concrete form, so that no time would be lost in presenting them to the meeting. A little later the Bulletin stated that it was about time an example was made of some of the offenders and that dealers knew their duty toward houses that persisted in ignoring their rights. In May, 1897, an editorial in the Bulletin, after expressing a belief that there were too many factories making implements and vehicles, went on to advocate an agreement by the manufacturers and jobbers to protect the legitimate dealers, to sell no goods at retail, and to establish no agencies with parties who were not regular dealers. This, it was said, would work no hardship upon any manufacturer or jobber, and dealers were urged to bend all their energies to this end, which it was thought could be done only by associated effort.

During the nineties the practice of harvesting-machine manufacturers in placing agencies with irregular dealers was repeatedly condemned by the dealers' associations. An editorial in the Bulletin in October, 1899, stated that the manufacturers of harvesting machinery had made agency contracts with liverymen, blacksmiths, farmers, and others, and that these irregular dealers "rarely ever sell more than a sample \* \* \* but they are harassing to the regular dealer and cause him no end of annoyance during the season."

The Bulletin, in commenting upon the situation in the early part of 1900, made the following statement:

We do not concede the right to a plow manufacturer to place an agency with any one not a dealer in implements just because he can get no regular dealer in that line to represent him; then why should the privilege be accorded to the manufacturer of harvesting machines? \* \* \* It is an utter impossibility for one dealer to represent several harvesting machines successfully, and no town has enough dealers to represent all machines. The position dealers take is just this: that if a company can not get representatives through the regular channels, it would better move on to the next town where it can.

By this time the agitation against direct and irregular sales had become general, and associations of implement and vehicle dealers had been organized in most of the States in the Middle West. It was felt that the only way in which satisfactory relations between the dealers on the one side and manufacturers and jobbers on the other could be maintained was for the latter to do a strictly wholesale business and for the dealers to show their appreciation by giving such manufacturers and jobbers their trade. The question had also been raised whether a manufacturer or jobber should sell goods at retail at places where he had no agent and no prospect of securing one. Various views were expressed. In this connection, the secretary of the Western association in a report read at an executive session of the members of the Western association in January, 1898, made the following statement:

In too many instances it is claimed that they had a perfect right to make the sales for the reason that they had no customer in the towns to which the goods were shipped, and our members should not complain because they had maintained a fair retail price, when in fact the margin over the wholesale price was not half what the worst price cutter would consider a fair profit, and they invariably refuse to pay the complainant a commission because he is not their customer and has no right to demand it. As long as such practice is kept up just so long will the business be demoralized.

The consideration of complaints against individual manufacturers and jobbers who were alleged to have made direct sales or sales

through irregular agents occupied much of the time of the dealers' associations. Almost from the beginning it became customary for the secretary of the Western association in his report to members at the annual conventions to summarize the complaints that had been filed during the preceding year and state what disposition had been made of them. As already pointed out, it was his duty to secure an amicable adjustment of complaints, generally by collecting from the manufacturer or wholesaler complained of a commission on the sale for the complaining dealer, and by securing a promise that future sales would be confined to regular dealers. At the annual convention of the Western association in January, 1899, nearly all the members present stood up when those who had been benefited by receiving commissions on goods sold in their territory and by the discontinuance of irregular agencies were asked to rise. At this convention a section of the by-laws, which provided that 20 per cent of all commissions collected for the members should be paid into the treasury of the association, was eliminated by unanimous vote of the members.

The dealers finally became convinced that the situation could only be handled through the combined influence of the several State and interstate associations of dealers. Plans were accordingly made for a meeting at Chicago to confer with the harvesting-machine manufacturers and to form a federation of the various dealers' associations. In September, 1900, the federation was formed as planned, several of the most important dealers' associations being represented. (See p. 10.)

NEGOTIATIONS WITH HARVESTING MACHINE COMPANIES.—During the first few years following the organization of the Federation its activities largely centered in efforts to induce the harvesting-machine manufacturers not to place agencies with persons whom the dealers did not consider to be implement dealers. A careful record was kept of all complaints filed against harvester companies. Some of the harvesting-machine manufacturers were reported to have assured dealers that they were in full accord with them, but the harvester committee of the Federation was apparently unable to induce the International Harvester Co. to assent to confining its trade to regular dealers. In November, 1904, however, it was reported that at a conference held between the harvester committee of the Federation and representatives of the International Harvester Co. of America the dealers again requested that the latter market its product only through regular retail implement dealers, to which the company answered that it was heartily in accord with the proposition and had taken favorable action on 75 per cent of the reports of irregular agencies furnished by the Federation the year before, and also, on its



own motion, had taken similar action on many other cases not reported.

The report of the harvester committee read at the convention of the Western association in January, 1905, stated that efforts had been focused on the single point of trying to induce the International Harvester Co. to confine the trade in harvesting machinery exclusively to the regular retail implement dealers, but that the committee had not been successful in getting the International Harvester Co. to declare itself positively upon this point. Substantial progress had been made, however, in the discontinuance of over 200 objectionable agencies since the report of the committee at the preceding convention.

## **Section 2. Cooperation between federated dealers and organized manufacturers.**

**ESTABLISHMENT OF HARMONIOUS RELATIONS BETWEEN DEALERS' AND MANUFACTURERS' ORGANIZATIONS.**—Efforts of the dealers' associations to enlist the assistance of jobbers' and manufacturers' organizations in confining trade to regular dealers met with a considerable degree of success. The officers and directors of the Western association continued their efforts to enlist the assistance of the Kansas City jobbers' club in devising some plan by which direct sales through irregular dealers could be discontinued. During the middle nineties, however, the jobbers' club refused to amend its by-laws to provide that members should be bound to live up to any agreement that might be made with the dealers. The jobbers took the position that the dealer and the jobber should adjust any grievance between themselves without the assistance of either of the two organizations. Some of the jobbing houses, however, announced that they had adopted a policy of selling no goods at retail.

Efforts were made to enlist the assistance of the manufacturers belonging to the National Association of Agricultural Implement & Vehicle Manufacturers. The secretary of the Western association, in addressing the convention of the manufacturers held in October, 1895, requested them to take some action to show to the dealers that it was their policy and purpose to protect the regular legitimate dealer and, if practicable, to appoint a committee to which the complaints of the dealers' associations could be referred. A few months later the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers adopted a resolution expressing the sympathy of their association with all retail dealers' associations in their efforts to protect the regular legitimate dealer in his trade in every way practicable, and the dealers' associations were invited to send complaints of this character to the execu-

tive committee of the manufacturers' association, and that committee was instructed to give such complaints due consideration.

Further progress was made in January, 1900, at the annual convention of the Western association, at which it was reported that a resolution had been agreed upon by a conference of committees representing the National Association of Agricultural Implement & Vehicle Manufacturers, the Carriage Builders' National Association, the Kansas City Implement, Vehicle & Hardware Club, and the Western Retail Implement & Vehicle Dealers' Association. This was to the effect that—

It is the sense of this conference of committees that we recommend that manufacturers abstain from selling goods to catalogue houses and confine their business to selling their goods to jobbers and retail dealers; \* \* \* that the Western Retail Implement Dealers' Association take such action as will be necessary to furnish the manufacturers' and jobbers' associations with a correct list of the legitimate retail implement and vehicle dealers in the territory covered by said association, for the purpose of enabling the manufacturers and jobbers to furnish catalogues and prices to legitimate dealers only.

The Bulletin expressed the hope that favorable action would be taken upon this resolution by the manufacturers' and jobbers' associations, and a committee was appointed to carry out the spirit of the resolution.

Shortly after the formation of the Federation, in 1900, the National Association of Agricultural Implement & Vehicle Manufacturers created a standing committee on dealers' associations to consider all questions of mutual interest. It was arranged that one or more members of the committee should visit officially all meetings of dealers' associations which they thought advisable, confer with such meetings in any manner they thought proper, and make a report of the conference to the executive committee of the manufacturers' association. In the latter part of 1901 this committee reported that members had visited meetings of the Iowa, Nebraska, and South Dakota dealers' associations, and that the full committee had visited the meeting of the Western association. The report continued as follows:

We believe in encouraging these associations \* \* \* and helping them along in every way we can. \* \* \* Our interests are too closely connected to permit of anything but the most harmonious relations.

*Directories of regular dealers.*—As an aid to the manufacturers and jobbers in determining whether prospective customers were entitled to consideration as regular dealers, and, apparently as a result of the resolution of the committees mentioned above, the Western asso-

ciation in 1901 began the annual publication of a list of regular dealers at towns where that association had members, and in 1902 also inaugurated a movement to enlist the assistance of the manufacturers and jobbers in securing stricter classification of implement and vehicle dealers by the commercial agencies. The directory of the Western association was favorably received by the members of the National Association of Agricultural Implement & Vehicle Manufacturers, the secretary in 1901 being instructed to furnish each member with a copy with the recommendation that at the towns listed manufacturers should confine their sales to the legitimate dealers named in the list. This list was also placed in the hands of the Kansas City jobbers. In 1907 this plan of keeping goods out of the hands of irregular dealers was reported to be working well. The Western association has continued to issue this directory annually to the present time, and they have also been issued by other State associations, including the Tri-State association (covering Ohio, Kentucky, and Indiana) and the Texas association.

*Commercial agency reports.*—The movement started at the convention of the Western association in January, 1902, to secure a better classification of implement and vehicle dealers by the commercial agencies so that catalogue agents should not be classed as dealers, was taken up by the National Association of Agricultural Implement & Vehicle Manufacturers at its convention in 1903. Its committee on dealers' associations recommended that the members of the manufacturers' association address letters to all the commercial agencies to which they were subscribers, urging a more definite classification of "regular" implement and vehicle dealers, regular dealers being used by the manufacturers as defined by the dealers' associations, namely, a dealer who had a regularly established place of business and who carried a stock of goods commensurate with the trade of his vicinity. This recommendation was adopted.

The commercial agencies, however, do not appear to have made these changes, for the request of the dealers to the manufacturers was renewed a few years later. It was explained to the committee of the manufacturers' association that the earlier request had been favorably received by the manufacturers, who had obtained assurances that the lists would be so revised.

At the conference of the manufacturers' committee on dealers' associations with the Federation in October, 1908, the dealers reported that many of those still listed as implement dealers by the commercial agencies were not dealers, and they asked the help of the manufacturers in getting the commercial agencies to correctly classify the dealers. This request was brought up at a later meeting of the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers and referred to its committee

on dealers' associations. The records do not show whether this effort was successful.

*Conferences between representatives of dealers' and manufacturers' organizations.*—After the formation of the Federation the holding of conferences became a characteristic feature of association work, especially those held between the committee on dealers' associations of the National Association of Agricultural Implement & Vehicle Manufacturers on the one hand and committees of the Western association and the National Federation on the other. Representatives of the manufacturers' association continued (see p. 134) to attend meetings of the dealers' association, and in August, 1907, the Implement Dealers' Bulletin stated that the work of the organized dealers was in harmony with those manufacturers who recognized the necessity of the retail dealer as the proper and economical distributor of their products. The members of the National Association of Agricultural Implement & Vehicle Manufacturers were already committed to this proposition, and it was an unwritten qualification for membership in the National Plow Association (organized in 1907) that sales should be confined to the retail trade.

When the National Federation met in October, 1908, the delegates determined to secure some kind of a reform in a systematic way to obtain a larger measure of protection for their members. To bring about a better understanding with the manufacturers, it was decided that the executive committee of the Federation should act in conjunction with a committee of the National Association of Agricultural Implement & Vehicle Manufacturers as a joint committee to consider matters of common interest.

The joint board held a conference at that time, at which the dealers requested the help of the manufacturers in abolishing commission contracts, which they believed to be the cause of many irresponsible parties being furnished with goods on consignment to the detriment of the regular dealers.<sup>1</sup> The matter of direct sales to farmers was also discussed, especially of the kinds of farm machinery that dealers do not ordinarily carry in stock, namely, threshers, power corn shellers, hay presses, and other large machines. No definite conclusion, however, seems to have been reached in this matter. The results of this conference were reported to the convention of the manufacturers' association held a little later. In making his report the

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<sup>1</sup>In this connection, the Federation at its meeting in 1909 adopted the following resolution:

The commission contract still used by certain manufacturers and jobbers with dealers not worthy of credit is placing dealers with capital invested at a great disadvantage. It is evident that this condition is responsible in no small degree for the continued use of canvassers.  
*Therefore be it resolved,* That the commission contract and carrying clause are trade abuses which should be eliminated.

chairman of the committee on dealers' associations made the following statement:

In our intercourse with the dealers individually, and with their officers and committees, both in the State associations and in the general Federation of Dealers' Associations, we are very glad to report we have found them, almost without an exception, disposed to be reasonable, at least from their point of view. Their requests may not always accord with our own ideas, but, if not, they are willing to talk about it, and if we think their requests are too strong they are willing to modify them, and we also believe they would be equally fair and reasonable about any requests we may think best to make of them, for, when it comes down to a final analysis, the interests of the dealer, jobber and factory are mutual and identical, and it is our opinion that all parties in this trade have already realized this fact, and are willing in a great measure, to pull together for the mutual benefit of all.

These matters were among the subjects considered at a meeting of the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers held November 13, 1908. This committee referred the matter of abolishing consignment contracts to the association's committee on dealers' associations.

The immediate cause of the appointment of the joint committee seems to have been the unsatisfactory conditions existing in the sale of manure spreaders. The manufacturers of spreaders belonging to the National Association of Agricultural Implement & Vehicle Manufacturers had already organized a subcommittee of that association, and a conference was held with the dealers at the convention of the Western association in January, 1909. The dealers were represented by the boards of directors of the Western and the Iowa associations, and eight of the principal spreader companies had representatives present. Resolutions were adopted to the effect that manufacturers and jobbers should discontinue all sales of spreaders directly to user, that each dealer should have sufficient exclusive territory, that spreaders should not be sold to dealers on a consignment contract, and that dealers should discontinue the use of canvassers furnished by the manufacturer or jobber.

The lack of protection given dealers by manufacturers and jobbers on manure spreaders was again taken up in the Bulletin in May, 1910. This article stated that reports were coming in from some localities of the complete demoralization of the spreader business and that it had been somewhat difficult to locate the ones most to blame. It was thought, however, that the practice of certain manufacturers in selling directly at little, if any, above the net price to dealers was undoubtedly the most prolific source of trouble. To arrive at the facts the members of the constituent associations of

the Federation were asked to forward to the secretaries of their respective associations answers to certain questions as to the makes and prices of spreaders sold at their towns; whether manufacturers and jobbers were selling directly there, and whether mail-order houses were getting any of the business. The article concluded as follows:

The first step in bettering conditions in this line is to secure the data; this the members must furnish. Will you do your part, and do it now?

A conference with representatives of the windmill and pump houses was held at a meeting of the directors of the Western association in September, 1909, and the subject of better protection in those lines was thoroughly discussed, but the results are not reported.

**OPPOSITION TO MANUFACTURERS' BRANCH RETAIL STORES.**—Toward the latter part of 1908 implement dealers in Iowa became alarmed by the threatened competition of a number of branch retail stores that were being established in the western part of that State by certain wholesale interests for the purpose of retailing their own goods. The delegates to the meeting of the Federation in October, 1908, were unanimous in condemning this practice, and voted as the sense of the Federation that no manufacturer seeking the dealers' trade and no jobber should be interested in retailing implements and vehicles in any way.

The matter of branch retail stores had been taken up several years earlier by the National Federation on complaint of the implement dealers' association of Texas in 1901. At that time the manufacturer complained of appeared before the Federation delegates to give assurances that it was not the policy of his company to antagonize the dealers and promised to see that the matter was thoroughly investigated. According to the Federation minutes in 1902, the Texas case was practically adjusted, as the manufacturer had given orders to close all of the branch houses, except transfer houses, as rapidly as possible. This action in closing these houses was attributed by a trade paper to the influence of the Federation.

In 1908, several branch retail stores had been opened in western Iowa by one of the largest plow manufacturers in the United States, and also by a prominent Omaha jobbing house. The dealers requested the discontinuance of these stores. One of the leading implement trade papers, which quite naturally took the dealers' point of view, conceded that such stores would be obliged to bear the same rent, taxes, insurance, and other expenses as the independent dealer, but pointed out that it was claimed that the branch retail stores received inside prices and, furthermore, that the manufacturer would be satisfied if he realized the same profit that he would on goods furnished to the regular dealer.

The Bulletin for November, 1908, characterized the conditions confronting the Iowa dealers as the gravest that they had faced since the organization of the retail implement dealers.

The following resolution had been adopted at the annual meeting of the Federation in October, 1908:

It being rumored that certain manufacturers of farm implements are contemplating the establishment of retail branch houses for the sale of their products, we recommend that the Federation go on record as absolutely opposed to the retailing of goods directly or indirectly by jobbers or manufacturers.

The Federation made this subject one of the principal matters of discussion at its meeting in October, 1909, and adopted a resolution denouncing such a system as "unfair, unwise and unbusinesslike," and expressed the belief that, if continued, it meant "the disruption of trade relations and the elimination of the retail dealer and his best friend—the smaller manufacturer." It was voted to refer the matter to the joint arbitration committee of the manufacturers' association and the Federation. The matter was discussed in conference, and it was decided to consider the matter further during the convention of the manufacturers' association to be held a little later, when the companies complained of would be invited to be present. When this meeting was held, the position taken by the company especially complained of was that the branch stores were private enterprises of their manager at Omaha. No formal action was taken by the committee. The members of the National Association of Agricultural Implement & Vehicle Manufacturers, however, adopted the following resolution:

Whereas, the establishment by manufacturers of branch stores for the purpose of retailing their own goods would mean finally, the disruption of trade relations and the elimination of the retail dealer; be it

*Resolved*, That we are opposed to the establishment of such houses, believing that "to the retail dealer belongs the retail trade."

Shortly after the Federation meeting the secretary wrote one of the prominent members of the Western association that he was in receipt of information that the plow company in question was also establishing retail branches in Portland (Oreg.) territory, and there were also a few in Kansas and Oklahoma, which, he stated, were big concerns. A few days later the secretary wrote another prominent dealer belonging to the Western association regarding the conference that had been held at Chicago, when the matter was taken up before the arbitration committee with some of the high officials of the plow company present. He stated that they set up the defense that these branches were conducted solely by their managers

who financed them and that the plow company itself had no money in them. The secretary expressed his opinion, however, that the officials were in a position to control such matters and that the dealers would demand that they do so. At about the same time the secretary also addressed a manufacturer who had apparently written him requesting literature on the subject of branch retail stores. In this letter, after citing instances where the dealers' trade had been impaired by branch retail stores, he said, in part:

I only mention these matters to give you a general idea of what a dreadful menace the branch-house evil is to the regular dealer. The danger is that if these branch houses are successful other manufacturers and jobbers will adopt the plan, and that it will eventually mean an entire change in the retail business. The International Harvester Co. at one time employed a great many salaried agents who were in reality only branch-house managers. They have, if our information is correct, discontinued practically all of these. I know of none now within the territory of the Federation. We have the statement of the sales managers that none exist anywhere. But you will readily see that if the other large manufacturers are allowed to handle the retail business in this way, no objection can be made to the International Harvester Co. if they see fit to adopt the same plan.

This is the subject which is now worrying the dealers more than anything else, and the supposition is that it will be discussed at all of the conventions and probably handled without gloves.

In another letter in the latter part of November, 1909, the secretary of the Federation expressed his opinion that the branch house was the most serious existing menace to the implement business. He said that some persons had declared to him that the implement business was on trial. He stated, however, that he could not feel that this was true to a very alarming extent, but he did know that the plow company in question was establishing a great many branch houses, particularly in good localities where they had no regular customers. He thought that the matter would be a subject of warm debate at the conventions of dealers in Iowa and Nebraska. He thought a firm stand must be taken.

At the conventions of the various dealers' associations belonging to the National Federation in the latter part of 1909 and early part of 1910 the matter of branch retail stores was a principal subject of discussion. The Implement Dealers' Bulletin in February, 1910, printed the resolutions condemning such stores which had been passed by the National Federation as well as the Iowa, Illinois, Western, South Dakota, and Mid-West (Nebraska) associations. In conclusion, the Bulletin made the following comment:

It is all right for them [dealers' associations] to define their position regarding this matter, but adopting resolutions is only



the preliminary proceeding. If dealers expect anything to be accomplished they must assist in supplying information, they must uphold the hands of their officers, and they must assist in strengthening their organizations so that they will become a still greater power than they are at present and be in a position to enforce their demands.

Now do not say, "Yes, that is so," then forget all about it, but go to work. If your dues are in arrears, remit, for it takes money to carry on this work. If you have a competitor who is not a member, go to him and explain the situation and secure his application. Association officials are thoroughly alive to the importance of aggressive action, but they must have your support. Will you see that they receive it?

The subject was again taken up at the annual meeting of the National Federation at Chicago in October, 1910. The president in his address stated that, with a single exception, all manufacturers and jobbers who had been interviewed on the subject denied owning or being interested in any retail branch store. He stated that the matter of finding out the facts devolved upon the different constituent associations of the Federation, and asserted that it was necessary for the Federation to have reliable information as to the identity of the offending manufacturers and jobbers before it could take action. Reference to this matter was also made in the report of the secretary. He characterized it as a subject of most vital importance for consideration. One session of the convention was taken up almost entirely with a discussion of the reports in regard to branch retail houses, and the question was finally referred to the committee on resolutions with instructions to define the position of the Federation. A special committee was appointed to consider evidence that had been introduced and to make further investigation.

The matter was also brought up at the conference between committees of the Federation and the National Association of Agricultural Implement & Vehicle Manufacturers. It was reported that at this conference the representatives of the dealers' Federation explained the specific complaints which had been filed and asked for the cooperation of the manufacturers in discountenancing and discouraging the spread of this class of retail establishments. The alleged demoralizing effect these stores had on the trade of dealers in localities where they were maintained was shown, and it was the consensus of opinion that great good could be accomplished by the cooperation of all of the associations in all branches of the trade. The burden of furnishing proof in cases reported, it was agreed, should rest with the dealers.

At this meeting the delegates to the Federation meeting recommended that each of the constituent associations should amend its

constitution by eliminating the article relating to members reporting direct sales to the secretary of the association. (See p. 187.) The delegates also recommended the elimination of the second paragraph of the declaration of purpose, which read as follows:

We recognize the absolute right of every person, partnership or corporation to establish and maintain as many retail stores as he, they, or it may see fit.

Resolutions adopted by the Federation at this time read as follows:

Evidence having been submitted showing that a few jobbers and manufacturers still persist in maintaining retail branch houses.

We, your committee, do most earnestly emphasize our Federation principle that "to the retailer belongs the retail trade," and denounce in unmeasured terms as unfair, unreasonable and unbusinesslike the practice of so entering into competition, directly or indirectly, with the regular retail dealers, upon whom they must, and do depend, for the bulk of their business.

Shortly afterwards the committee on dealers' associations reported to the members of the National Association of Agricultural Implement & Vehicle Manufacturers that the Federation had presented to the manufacturers' committee for consideration the dealers' earnest and aggressive opposition to manufacturers or jobbers owning, operating, or being interested in retail implement and vehicle stores. In accordance with the recommendations of this committee, the members of the National Association of Agricultural Implement & Vehicle Manufacturers voted to adopt a resolution reaffirming and emphasizing the resolution on this subject adopted the year before. (See p. 145.)

Under date of October 25, 1910, the secretary of the National Federation in a general letter to secretaries of the constituent associations on the subject of convention programs pointed out that the dealers in many localities were alarmed over the "branch-house evil," and that the Federation had asked for further evidence to establish beyond question the extent to which this evil was spreading. He advised the secretaries that it was a subject that should be discussed at the conventions of their associations and that it was possible that it would be better to do so in executive session. He requested them to note the position taken by the Federation and the trend of the discussion of the subject at the conference with the manufacturers.

In November, 1910, the secretary of the Federation wrote one of the dealers a confidential letter in which he stated that another interview had been held with a high official of the plow company complained of as establishing branch retail stores. The secretary stated that this official had promised to go to Omaha himself to make a personal investigation of conditions. In this letter the secretary said, in part:

I refer to the trouble with branch houses. I believe that we have that situation pretty well in hand. Such a tremendous uproar has gone up that I doubt if those people will establish any more even though they may not discontinue what they have. I thought this information might be of interest to you on account of conditions at Chillicothe.

In April, 1912, the secretary of the Iowa dealers' association wrote the secretary of the National Federation in regard to the activities of his association in the matter of branch retail stores. He stated that one of the members, whom he mentioned, would do his utmost to convince the plow company (whose policy of maintaining branch houses had created so much apprehension among the dealers) that such a policy was a bad one to promote, being detrimental to the trade. The secretary of the Iowa association also expressed his opinion that if the Iowa association could not have the cooperation of other organizations it could not make effective opposition. He thought the policy was going to become general unless the dealers were active, and he stated that it was reported that a buggy company, the name of which he gave, had already established four retail branches in Iowa. He believed that it would not be long until other manufacturers followed suit and that the very existence of the retail dealers was threatened. He went on to say:

We can voice our opposition in a proper manner, and if [we] have the facts to present, we should at least get a fair hearing.

He appeared to think that if the dealers went to the plow company in question without any evidence their efforts would be unavailing.

At the convention of the Federation in October, 1912, the report of the secretary stated that manufacturers' branch retail stores in some localities were causing dealers much uneasiness and annoyance, and was of so much importance that it should have attention. Among the resolutions adopted by the delegates at this convention was one to the following effect:

The maintaining of retail stores by jobbers and manufacturers is unjust, and is emphatically condemned not only by this Federation, but by right thinking men in all lines. Improved conditions of the trade is shown by the fact that but one prominent manufacturer continues to maintain such branches, and it is only fair to state that the number is reduced and we are assured it is the policy of this company to soon discontinue them entirely.

**DIRECT SALES IN LOCALITIES WHERE MANUFACTURER HAS NO AGENT.—**

At the annual meeting of the National Federation in October, 1909, the president expressed his belief that the Federation should outline clearly to each constituent association its views regarding the conditions under which manufacturers should sell their goods to consumers in territory where they had no representatives, a matter that

had already been brought up by the dealers. (See p. 131.) A little later, at a meeting of the conference committees of the National Federation and the National Association of Agricultural Implement & Vehicle Manufacturers, in October, 1910, at which the matter of branch stores operated by manufacturers was discussed (see p. 141), the committee representing the Federation took the position that manufacturers who sell the bulk of their output to dealers should not sell at retail. Instances were mentioned where manufacturers had sold goods directly and when called to account had replied that they were holding commissions to be paid to a dealer who would contract for their goods. The dealers insisted that this is not affording the trade full protection. One member of the manufacturers' committee said that this seemed to be a new phase of the direct-selling question, and it was his opinion that manufacturers claimed the right to sell directly at retail prices where they were not represented by dealers, especially where they were introducing new goods and did not see how they could introduce new goods successfully where they were unable to interest dealers unless by selling directly. He expressed the opinion that this evil had not reached very serious proportions. Another member said that as a general rule manufacturers believe that it is no violation of trade ethics to sell directly at retail prices and pay the commission to the nearest dealer.

The committee representing the dealers said that of course they would acquiesce in that kind of an arrangement, but that commissions in such cases were rarely ever paid until such time as an agency could be established, and insisted that the manufacturers in all cases where direct sales are made should try to make delivery through some regular dealer, permitting the customer to name the dealer through whom he would prefer having delivery made. They also took the position that in a very large majority of direct sales prices maintained are much lower than the dealer must get if he properly figures his costs. They expressed the belief that it might not be possible to make any hard and fast rule, yet dealers must have better cooperation on the part of manufacturers and jobbers than they were receiving. The representatives of the manufacturers' association promised to present the views of the dealers to the next convention of the manufacturers' association and to urge action along the lines suggested. In connection with this subject, the Federation adopted the following resolution:

In view of the resulting strife and demoralization caused by direct sales by jobbers and manufacturers, \* \* \* goods in our line should be marketed through the regular retail dealers, and that even if extreme circumstances seem to justify a sale to

user it should never—under any circumstances whatever—be made except at a fair reasonable retail price and delivery should in all cases be made through some retail dealer.

The representatives of the manufacturers' association in their report to the convention of the National Association of Agricultural Implement & Vehicle Manufacturers, in November, 1910, explained this attitude of the organized dealers toward direct sales, as follows:

They presented to us a question that to them, and to us, is of great importance; and that is, the retailing of goods by factories and jobbers direct to consumers. They request as follows:

First. That all such sales, as far as possible, should not be made, but that the consumers be referred to the nearest retail dealer.

Second. That if any sales at all are made direct to consumer they should always be made at proper retail prices—such as will give the dealer a legitimate profit above his expense of doing business.

Third. That where it is impractical or impossible to make such a sale through a dealer, the sale should be made at retail prices, and that delivery should be made through some dealer.

In behalf of these requests, the dealers state that it is not alone the question of the profit on any particular retail sale that might be made, though as to that they feel that some dealer should always have the profit or commission, but the main point to which they object, in the retailing of goods by factories and jobbers direct to consumers, is that it gets such consumers into the notion that it is a good thing to buy direct from the factory. Probably some members of our association do not realize how much is going on in the trade along these lines of direct selling. Nowadays there are not only the old-time catalogue houses selling all kinds of goods, including implements and vehicles direct to consumers, and at prices which they are trying to make the consumer believe are wholesale prices, but there are several direct selling factories in the implement and vehicle lines.

At this convention the manufacturers adopted the following resolution:

*Resolved*, First. That we reaffirm and emphasize the resolution adopted last year at our convention in Chicago against the establishment of retail houses by factories and jobbers.

Second. Whenever it is necessary for a factory to make a direct sale to the consumer, that it ought to be done at retail price, and when at all practical said machine or vehicle should be delivered through some dealer.

Third. That the secretary be and is hereby instructed to mail a copy of this resolution to each member with a special bulletin calling attention to same, on account of the unusual importance this resolution to the trade.

*Resolved*, That we express our appreciation of the cooperation of the Dealers' Federation in their efforts to eliminate trade evils and in promoting the general welfare of the business.

In compliance with this resolution, the Secretary of the National Association of Agricultural Implement & Vehicle Manufacturers issued a circular letter to members under date of November 11, 1910, in which this resolution (which also related to the establishment of branch retail stores by manufacturers) was set forth. This letter concluded as follows:

Every time you fail to be governed by the spirit of these resolutions you take a step towards the elimination of the retail dealers as factors in the sale and distribution of your product.

We appeal to you to assist in curing this menace to the existence of the independent retail dealer.

At a conference between the conference committees of the National Implement & Vehicle Association and the Western association held in January, 1911, the dealers present again brought up the subject of direct sales in territory where the manufacturers could find no regularly established dealer to represent their lines. The chairman of the manufacturers' association committee was questioned as to the attitude of the manufacturers on this subject. He replied that the manufacturers belonging to the National Implement & Vehicle Association stood with the dealers' associations on the principle that to the regular retail dealer belongs the retail trade, but he asked how manufacturers could ever introduce new machines into territory where the dealers would not take up the sale of such machines, unless the manufacturer sold directly. One of the dealers present expressed the opinion that the position of the dealers' associations might be somewhat elastic in such cases. No definite conclusion was reached, but it was pointed out to the manufacturers that by direct sales in invading territory where other manufacturers of similar goods were selling through the regular dealers, reprisal was invited from these other manufacturers in other sections where the latter had no agents but where the former class of manufacturers might have a trade with dealers. It was pointed out that in this way the whole system of marketing through dealers might become demoralized, since it would be impracticable for all manufacturers to be represented everywhere by regular dealers.

**DEALERS' ASSOCIATIONS AND THE THRESHER TRADE.**—The retail dealer is a less important figure in the sale of threshing machinery than in the sale of most other kinds of farm machinery and implements, owing principally to the expensive character of threshing outfits, the necessity imposed upon manufacturers of extending long terms of credit to purchasers, and the pressure of competition among manufacturers to dispose of factory output. Consequently, a large portion of sales is made directly to the farmer or thresherman through salesmen employed by the manufacturers. The manufacturers, however, have continued to make commission contracts with

dealers in order to secure their local influence in pushing sales, to get reports concerning prospective customers, and to have them handle repair parts.

During the last three or four years a committee of the implement dealers' Federation has made a determined effort to secure a larger proportion of the trade to dealers. The matter has been presented to the National Association of Thresher Manufacturers, and conferences have been held between the executive committee of that association and representatives of the Federation. Little progress, however, has been made. Individual thresher manufacturers assure the dealers that they desire to sell through them to as great an extent as possible, but point out difficulties that render the use of this method of sale impracticable under present conditions in the thresher trade. Furthermore, dealers' associations take the position that the dealer should be allowed a commission on all thresher repairs sold by him, irrespective of whether he has any contract with the particular manufacturer from whom such repairs are ordered. This matter is still unsettled between members of the thresher manufacturers' association and of the federated dealers' associations.

### Section 3. Settlement of complaints against individual manufacturers.

The by-laws adopted by the Federation in 1900 provided as follows:

All complaints made against manufacturers, jobbers and wholesalers shall be first taken up and be referred to the secretary of the association in which the complainant may hold his membership, for adjustment. In case of failure to make a satisfactory settlement, said case shall be referred to the secretary of the National Federation; if such complaint can not be adjusted by the National Federation, it shall be the duty of the national secretary to notify the secretaries of the several retail associations and they shall at once notify all members thereof.

**METHODS OF ADJUSTMENT BY STATE ASSOCIATIONS.**—Most complaints were settled by the secretaries of the constituent associations without being referred to the Federation. Similar methods were adopted by the different associations to bring about an adjustment. Where a complaint was filed by an aggrieved dealer, it was the duty of the secretary to verify the facts and endeavor to adjust the situation amicably with the manufacturer complained of, collecting a commission on the sale for such dealer or for some other dealer in the locality where the sale had been made. It was also a part of the secretary's duty to secure a promise from the manufacturer that his future sales would be confined to regular dealers. If the secretary was unable to effect satisfactory settlement, the correspondence in the case was submitted to the board of directors or grievance com-

mittee, which held meetings from time to time to consider the evidence in pending complaints. It was customary for this committee to request manufacturers and jobbers complained of to appear at such meetings to explain their side of the case. Under this method of handling complaints, most cases were amicably disposed of, but in some instances the facts were discussed at executive sessions of the entire membership present at conventions.

In the settlement of complaints the dealers took the position that a proper policy of protection on the part of manufacturers should provide "for the placing of agencies with parties who are regularly established in that line of business; declining all orders from parties who simply sell from catalog, order goods as they sell them and carry no stock on hand; selling no goods at retail; selling no goods to catalog houses or trailors; and be willing at all times to correct any mistakes made that interfere with the welfare of the legitimate dealer."

The president of the Nebraska association in his annual address to the members in 1901 stated that the manufacturers were acceding to some extent to the wishes of the dealers, and so far as he knew they were anxious to see them succeed and prosper, realizing that their interests were mutual. The secretary of the Nebraska association reported that in 1895, when the association had less than 100 members, he had received 37 complaints, but during 1900, with over 400 members, he had received only 13 complaints of illegitimate shipments. In all cases he had found that the trouble arose in regard to the definition of dealer. He said that in most cases the manufacturers had been willing to do what was right, but a few small manufacturers still quoted prices to the consumer. He expressed the opinion that the work of the associations had about reached the point where no reputable house would make shipments to consumers without crediting up the commission due to the dealer affected.

In January, 1902, the president of the Western association stated that there were still some manufacturers and jobbers who made concessions unwillingly, and others who attempted to sell a small part of their output through legitimate dealers and the larger part directly to consumers. He expressed the hope that the members of the Western association were "too well conversant with their own best interests and too loyal to those who cater only to the legitimate trade to be caught by such chaff." At this convention the report of the grievance committee was scheduled to be made at executive session, the other committees to report in open session. The issue of the Implement Dealers' Bulletin in February, 1902, stated that this executive session was the most remarkable one ever held by the West-



ern association, there being over 500 present, all of whom were members.

Apparently for the purpose of pointing out that the activities of the Western association were effective in affording protection to its members, the Bulletin published the following article in March, 1902:

Evidence that the association protects is contained in two letters, from which quotations are made, one from a large vehicle concern which used to make shipments to parties who were not dealers, reporting that it has recommended that a certain dealer join the association and qualify for recognition as a legitimate dealer. The second letter, from a manufacturer who did not find the name of a party wishing to order a vehicle, in the directory, runs as follows:

"We desire to assure you that unless this party qualifies for membership in the association, we certainly will decline to receive any business from him. The tenor of his correspondence indicates that he is very anxious to become a legitimate dealer, and while you state that you have information showing that he is merely a catalog dealer, yet it is very possible that he contemplates expanding his business. At all events we will make no further shipments to him until he satisfies both yourself and us that he is entitled to be regarded as a legitimate dealer."

The Bulletin issued in November, 1905, contained a summary of the accomplishments of the Western association. In this summary it was stated that the prime object of its organization was protection of its members' interests and the prevention of direct sales or sales to catalogue agents. As proof that the association had been successful it claimed that over 1,200 complaints had been satisfactorily adjusted and that sales to users were few and far between as compared with former years. Among other achievements, it claimed that the cultivation of friendly relations by manufacturer, jobber, and dealer had resulted in better protection to the latter and the discontinuance of hundreds of irregular or catalogue agencies. In a subsequent issue of the Bulletin, members of the Western association were urged not to miss the executive session of the convention in January, 1906, at which the report of the grievance committee and various phases of the catalogue-house question were to be taken up. It was stated that no report of the meeting would be published, and the only way for members to learn what had been done and what was in progress in the way of securing protection for members, was to attend this session. Furthermore, there were some matters that the officers had been unable to adjust, regarding which they would ask the convention for further instructions. The various other constituent associations of the Federation continued to handle complaints from their members.

In March, 1906, the directors of the Western association took action deploring the methods of many scale, gasoline-engine, hay-press, and windmill manufacturers in not marketing products through regular implement, vehicle, and hardware dealers. The directors recommended that the members of the Western association make contracts with "reputable" manufacturers and jobbers in these lines and prosecute sales vigorously as the surest means of upholding the committee in its efforts to remedy the existing conditions. The Bulletin pointed out that the dealer must be able to handle the trade according to the demands of his territory, as otherwise the board of directors had small chance to assist him in contending for commissions on sales. In August, 1906, the Bulletin gave the name of a scale company which was reported to be selling directly to the user, and published letters from two other companies as to their policy in protecting dealers. The board of directors held a meeting in July, 1906, at which 20 cases were taken up and disposed of, interviews with managers of the defendant concerns being held in some cases. It was reported that where the evidence was such as to sustain the dealer's contention quick adjustments were secured.

*Adjustment by cooperation with jobbers' clubs.*—In May, 1901, a conference between the executive committee of the Iowa Implement Dealers' Association and the Manufacturers' Implement & Vehicle Club of Des Moines resulted in an agreement for cooperation in the adjustment of complaints and settlement of claims filed by members of the association against manufacturers or jobbers. A joint arbitration committee was also formed in Minnesota, composed of the grievance committee of the Minnesota Retail Implement Dealers' Association and five representatives of the Twin City Implement, Vehicle & Hardware Club, to confer on matters complained of by members of the dealers' association. A similar arrangement had been put in operation at Kansas City between the Kansas City jobbers' club and the Western association, apparently as an outgrowth of a request of the officers of the Western association in 1905 for the cooperation of the jobbers in giving information to parties trying to secure goods at wholesale. An arrangement was effected under which the secretary of the Western association, after verifying the facts, notified the secretary of the jobbers' club of any cases that came to the attention of the former where persons who claimed to be implement dealers and attempted to buy goods of any Kansas City jobber were proved to be what the dealers' association termed "catalogue agents." On receipt of this information from the secretary of the dealers' association, the secretary of the jobbers' club notified the members of that club in order to prevent the person claiming to be a dealer from going from one jobber to another. The secretary of the Western association always furnished the name of the jobber, so that

the latter could verify the statements made. Moreover, it was arranged that when a jobber learned of any one practicing such methods of purchasing goods, he should notify the secretary of the jobbers' club, who in turn should notify all the members. No mention was made of this arrangement in conventions nor in the Bulletin, but it was claimed to be effective. In the several cases of this sort that arose the secretary of the jobbers' club notified each member of that club in the following form:

GENTLEMEN: In accordance with the resolution adopted by this club to cooperate with the Western association in preventing sales of goods at wholesale prices to parties not entitled to same, you are requested to investigate before filling any orders for [here follow four blank lines for name of party and remarks] regarding whom a complaint has been made. Further particulars may be obtained from your secretary.

Some of the jobbers' clubs appear to have been unwilling to enter into cooperative arrangements with dealers in adjusting complaints. The jobbers at Baltimore had gone on record as opposing any organization of dealers. An article on the subject published in the Bulletin in February, 1907, read, in part, as follows:

One report of this meeting states that the reason given for the queer action taken was that organization places too great a power in the hands of dealers to "club" the jobbers into meeting unjust demands. They can not find a single instance to justify such an assertion. It has not been the policy of dealers' associations to pursue any such unwise course. If it had been, their growth would not have been so great in the West during the past ten years.

Subsequently the attitude of jobbing houses at Omaha toward dealers' associations led to some comment by an implement trade paper copied in the Bulletin in January, 1910. This read, in part, as follows:

Indifference to the efforts of the men who are devoting their time and efforts to the betterment of their business associates and competitors however, is a short-sighted and unwise policy. While it is true that the associations have succeeded in checking certain practices indulged in by some manufacturers and jobbers, to their discomfiture, yet the outcome has proven to make for the interest of legitimate business on both sides of the line. Indeed, so true is this that the National Association of Agricultural Implement & Vehicle Manufacturers has put itself on record as being distinctly in favor of the retailers' associations, and its members and officers are working in harmony with the National Federation. Why, then, should the jobbers and branch-house managers pursue a different policy?

\* \* \* \* \*

"There must be mutuality, cooperation and reciprocity between the two branches of the implement trade, or it will go

hard with both. Let the jobbers follow the lead of the manufacturers' association and there will be brought about an era of mutual good feeling which will amply repay the small sacrifice entailed, instead of creating and widening a breach which bodes no good to either party. Let's be fair all around, gentlemen."

**METHODS OF ADJUSTMENT USED BY FEDERATION.**—Complaints against individual manufacturers or jobbers referred to the Federation were handled in much the same manner as by the constituent associations. The secretary of the Federation endeavored to adjust such cases, and in those that he was unable to settle satisfactorily the manufacturer or jobber complained of was asked to appear before the delegates. It was felt that the Federation had a great advantage over the State associations in settling complaints, by reason of the fact that when a manufacturer or jobber was asked to appear before the Federation he would understand that the dealer making the complaint had behind him the force of the whole Federation instead of a single association.

The Federation at a convention in October, 1901, held an executive session for the purpose of conferring with certain manufacturers against whom complaints had been filed. It was reported that after listening to the evidence agreements were reached satisfactory to all concerned. The Federation also adopted resolutions providing for the manner of handling complaints referred to it by the constituent associations.

The following case may be cited as an example of the method used by the Federation in adjusting complaints at about this time. In May, 1904, implement dealers around Fargo, N. Dak., organized the Fargo District Retail Implement Dealers' Association and requested the State association to assist it in eliminating direct selling by a certain drill-manufacturing company, and to request its members to stop buying goods of the company if such a course proved necessary. The North Dakota & Northwestern Minnesota association filed this complaint with the Federation. The latter took the matter up at a meeting in November, 1904. The secretary of the complaining association reviewed the evidence. It appeared that a representative of the defendant company had issued a circular quoting wholesale prices to consumers in the territory of the complaining association. It was shown by the evidence that the circular was issued without authority or approval of the home office, and that the defendants had been requested to withdraw quotations and to give as much publicity to the fact that they did not approve of the action taken by their manager, as had been given to his circular. The secretary of the Federation then presented a letter just received from the defendants, also a circular which they had recently had printed and mailed to all of the dealers in the territory of the complaining association,

which indicated a desire to adjust the case in accordance with the wishes of the complainants. This letter and circular indicated that their branch house in that territory would be immediately discontinued and that the trade in that locality had been notified of the fact and also of the fact that the defendants proposed to protect the trade to the fullest extent. It was shown that this letter and circular had been sent out immediately upon receipt of a letter from the secretary of the Federation giving notice that the case would be taken up at this meeting and notifying the defendants that they would be granted a hearing. In the settlement of this case it was voted as follows:

That the secretary be instructed to advise the \* \* \* company that after a careful consideration of the complaint of the North Dakota and Northwestern Minnesota Implement Dealers' Association, we find that defendant's manager in said defendant's territory was guilty of a very great violation of trade ethics; but in view of their statements to this board, in which they disclaim any knowledge of the issuance of the circular which was sent to consumers quoting drills at wholesale prices, and promise an early discontinuance of their retail house in that territory, and give assurances that their policy will be one of protection to the established trade, thus recognizing the business code of honor which avoids trespassing upon the rights of the retailer while claiming his patronage, and have used their best efforts to give these facts as much publicity as was given to the circular sent out by their manager, this complaint has been dismissed as an incident closed.

The Federation at this meeting recommended that where the manufacturer or jobber complained of had given satisfactory assurance of an intention, in good faith, to afford members of the Federation adequate protection in the future, the case be suspended, and, if the promises were faithfully kept, that the complaint be withdrawn, as it was the policy of the Federation to secure the cooperation of the manufacturers and jobbers in protecting the retail trade in the future, rather than to insist upon the payment of commissions on sales already made.

Apparently the Federation was not aggressive enough in prosecuting complaints to suit the members of the Tri-State association.<sup>1</sup> The president of that association at its meeting at Cincinnati in October, 1904, made a vigorous speech in regard to sales to irregular dealers, in which he is reported to have said:

You know that were it not for the restraining influences of your association that irregular sales would flourish in these good

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<sup>1</sup>In 1901 a trade paper, in referring to the Tri-State Vehicle & Implement Dealers' Association, composed of dealers in Ohio, Indiana, and Kentucky, stated that that association had developed amazing strength in protecting the dealer. It stated that one Indiana member had given information that he had received \$85 in commissions from manufacturers who had sold vehicles direct to consumers in his vicinity, but that prior to the organization of the association he had been unable to obtain adequate commissions on such sales.

States like the proverbial green bay tree. Time was when this was the condition of affairs, and unless you are on sentinel duty it will happen again. \* \* \* The obliteration of direct selling is what I consider the primary object of organizations like this.

The secretary of the Tri-State association also criticized the Federation as ineffective, and, in accordance with his advice, the association withdrew from the Federation,<sup>1</sup> alleging that the benefits received did not warrant the payment of the annual dues.

In order to discourage trifling complaints and to secure systematic and definite information in other cases, the Federation at its meeting in November, 1904, recommended that the secretary furnish the secretaries of the constituent associations with suitable uniform question blanks for use among their members in securing the desired information regarding complaints that were filed. The Bulletin, in April, 1905, announced that this blank had been prepared and that it should be used in reporting the facts of each irregular sale to the secretaries of the constituent associations.

With regard to matters beyond the reach of the Federation, it was arranged that the joint board of dealers and manufacturers created in 1908 (see p. 136) should act as an arbitration board of last resort for the settlement of complaints. The Bulletin stated that the appointment of this board was a matter of great importance for which dealers' associations had been working a long time; that it would mean the adjustment of many complaints that would otherwise remain unsettled, and that it would be more satisfactory to all concerned.

**COURT DECISION AGAINST METHODS USED BY IOWA IMPLEMENT DEALERS' ASSOCIATION.**—In efforts to confine the retail trade to the retail dealer, none of the other associations appears to have gone so far as the Iowa Implement Dealers' Association in an attempt to prevent manufacturers and wholesalers from selling to farmers' cooperative stores.

The matter of farmers' cooperative stores had been discussed by the Iowa association at least as early as 1900, at which time the following resolution was adopted:

That we have no fight to make against the so-called catalogue houses and cooperative societies, holding that they have the same right to seek a market for their goods as ourselves, but that, under no circumstances, will we allow goods of the makes and brands handled by them to be in our houses, thereby advertising the wares they sell, and that, therefore, we will not buy from any jobber or manufacturer who sells to such concerns. And we expect and demand of our secretary and our trade papers that they keep us informed as to such sales.

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<sup>1</sup> The Tri-State association subsequently rejoined the Federation. (See Exhibit 26.)

Some of the stores owned by the farmers' cooperative societies in Iowa had been handling farm machinery for several years. Owing to the activities of the Iowa Implement Dealers' Association, they experienced much difficulty in obtaining standard lines of implements from manufacturers and jobbers. According to the Retailers' Sentinel, an official journal published by the secretary of the Iowa Implement Dealers' Association, a manufacturing company whose name was given, canceled an order amounting to over \$2,000 because of representations made to it by the Iowa Implement Dealers' Association, and members of the latter association were requested by the paper to give the concern liberal patronage because of this action.

In 1904 the Iowa Implement Dealers' Association filed a complaint with the National Federation against a firm of jobbers on account of sales to a store owned by a farmers' cooperative society. In referring to this case, the secretary of the Federation in his annual report for 1904 said:

The defendants stubbornly refused to adjust, but finally wired me asking what was necessary to get right with the Iowa dealers. The claim for a commission was withdrawn, and a written promise secured that they would sell no more goods except to the regular trade. This was a satisfactory adjustment of the matter.

Issue was precipitated early in 1904, however, on a complaint which was filed with the secretary of the Iowa Implement Dealers' Association by a member at Gowrie, Iowa, to the effect that certain manufacturers had sold farm machinery to a cooperative store at that place. Protest was made by the association to the manufacturers complained of, one of whom continued to ship goods to the cooperative society notwithstanding the protest. As a consequence, the following letter, dated April 22, 1904, and marked "Confidential and for members only," was issued to the members of the Iowa Implement Dealers' Association by the secretary. The letter read as follows:

GENTLEMEN: You are probably aware that there exists in Iowa organizations called farmers' cooperative societies. Their name signifies who compose them. They generally begin first, by handling grain and live stock. They then add lumber, and usually the next move is to begin handling implements and binding twine.

They have proven to be a detriment to the regular trade in implements, and this association has always protested against firms who sell to the regular dealer in Iowa, supplying them with their goods.

We have had complaints filed with us from Gowrie, Iowa, as one has recently started there called the Farmers Elevator Company. All firms have listened to our protests and acceded to our wishes in the matter except the Emerson Manufacturing Company of Rockford, Ill.

We learned that they had taken an order from this society at Gowrie for a half car of goods. We wrote them requesting that they withhold the shipment. While in correspondence with us they made the shipment and decline to do anything further in the matter.

When this reaches you, we want you on Monday, April 25, 1904, to write them a letter of protest in regard to their action. Please remember the date, as we wish these letters to reach them on, or about the same day. By doing this you will greatly oblige and at the same time show them something of the strength and influence of this association.

If your answer, in your judgment, should be sent to this office, please send it or mail us a copy.

In compliance with the request contained in this letter, many members of the dealers' association addressed letters of protest to the Emerson company, some of them threatening to give up the sale of its goods.

Shortly thereafter the sales manager of the manufacturer wrote the president of the Iowa Implement Dealers' Association, saying, in part:

Inasmuch as a few of our best friends among the dealers have expressed a desire that we do not sell these parties after our present contract with them expires, simply because the impression prevails that they are a farmers' cooperative society, we have decided to respect their request.

The company appears to have sold no more goods to the Gowrie company at this time, but in 1905 its sales manager again wrote the president of the Iowa Implement Dealers' Association that his company had received another order for plows from the Farmers' Elevator Co., but had instructed its general agent in that territory not to make shipment until a reasonable time for the matter to be taken up with the dealers' association. This letter requested the president of the dealers' association not to make reply until he had fully considered the position in which he would place the Emerson company and the dealers' association by an unfavorable decision. The president of the association took the matter up promptly with a number of members, including the member located at Gowrie, from whom the complaint had originated. Later in the month the president of the association wrote the Emerson Manufacturing Co., summarizing several letters he had received from members in reply to his request for a statement of their objections to the sale of goods to a farmers' cooperative society. The gist of these replies showed that the dealers' opposition was based upon the ground that cooperative stores, being organized to do away with the middleman's profits, sold at very small margins and no regular dealer could get business from the members unless he under-sold the society to the demoralization of trade. The letter of the



president of the Iowa association to the Emerson Manufacturing Co. concluded as follows:

We regret that you feel that we would single out your firm, and attempt to impose unjust demands, as we gather from your past letters to us, we only hope for your hearty cooperation in this matter, which is a *vital* matter to the implement dealer, it affects his existence in the future, and his prosperity at the present time. If other manufacturers and jobbers sell such concerns, they are not doing so, because we approve, and because of some manufacturers selling such concerns, it should not excuse another manufacturer doing so, if the principle is wrong, and it *is wrong*, as we look at it. Our dealers' associations must take a firm stand upon this question, and we hope for your hearty cooperation.

On September 25 the Emerson Manufacturing Co. wrote the Farmers' Elevator Co., of Gowrie, advising them that in view of all the conditions the company had concluded to stay out of Gowrie until different conditions prevailed there.

Early in 1906 suit against the Iowa Implement Dealers' Association and its officers was filed by the Farmers' Elevator Co., of Gowrie, in the district court of Webster County, alleging that the complainant was unable to purchase implements because of the influence of the implement dealers' association upon the manufacturers, and asking an injunction to restrain the defendants from thus interfering with the complainant's business. Evidence in the suit indicated that pressure had been brought to bear upon various manufacturers not to sell their goods to the Farmers' Elevator Co., of Gowrie, and to other cooperative concerns in the State of Iowa.

On October 12, 1909, a decree was entered on judgment for the complainant, under which the Iowa Implement Dealers' Association and all members were enjoined from interfering in any manner whatever with the business of the plaintiff. In reaching a decision in favor of the Elevator company the court found that the defendants had entered into an agreement for the purpose of impeding the business of the plaintiff and that they had threatened to prevent jobbers and manufacturers from selling to the plaintiff, causing them to violate contracts made with the plaintiff to the injury of the latter. The court further found that at the time of the commencement of the suit and at various other times the defendants published a journal called the Retailers' Sentinel, of which the secretary of the defendant association was editor. The court found that the association and the editor published in this journal a certain black-list notice of manufacturers and jobbers who sold to persons not satisfactory to the association, and that the object of this publication was to prevent the members of the dealers' association from dealing or trading with the manufacturers and jobbers for the purpose of instituting an

unlawful boycott against such manufacturers and jobbers and to prevent the latter from trading or dealing with the plaintiff and others. This was held to be in restraint of trade.

CHANGES IN ARTICLES OF ASSOCIATION FOLLOWING COURT DECISIONS.—During the time that the case against the Iowa association was before the court the records of the various dealers' associations do not contain much information in regard to their activities in the adjustment of complaints. Uncertainty as to the outcome of this suit and the pendency of suits against trade associations in other branches of trade seem to have caused the implement dealers' associations to proceed cautiously in their efforts to confine trade to regular dealers.

Under date of March 4, 1908, secretaries of the constituent associations of the Federation were cautioned in a general letter from the secretary of the Federation that developments in a case filed with the Federation had made it seem desirable to call their attention to the fact that they should use the utmost caution in the wording of their letters to wholesalers in regard to complaints which had been filed by members. This letter read, in part, as follows:

Be very careful not to make any threats either direct or implied. Do not state that if they do not do so and so you will have to report the case to the National Federation for consideration and attention. One of our secretaries in a recent letter to a manufacturer did this, and the manufacturer was incensed and referred it to his attorney, who advised him that the writer could be prosecuted for using the mails to make a threat of that kind. Whether or not this is literally true, it is best to avoid trouble of this kind, and easy to do so.

Let me caution you against demanding commissions, as the advice I have is that this can be construed as blackmail. You are doubtless aware of this fact, but I thought it would do no harm to mention it. Kindly acknowledge receipt of this.

In October, 1908, the president of the Federation stated that he was led to believe that the members of local associations<sup>1</sup> were not giving sufficient attention to the filing of complaints, and that the constituent associations of the Federation were not making use of the Federation in this respect to the extent they should, the members fearing that they would be classed as "kickers" if they burdened their local complaint committees. The president expressed his belief that the settlement of claims strengthened the faith of the member in the value of the association to him. In April, 1909, the secretary of the Federation addressed a general letter advising the constituent associations to encourage their members to report irregular sales and urging the secretaries to prosecute the claims vigorously. In this letter the secretary of the Federation pointed out

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<sup>1</sup> In this connection, see pp. 162-163.

that every claim settled helped the cause of the dealers' associations and every complaint reported to the wholesaler made him more careful in the future.

In 1909 it was stated that practically all of the retail implement associations were maintaining systems by which the complaints of members against manufacturers and jobbers were taken up.

One of the implement trade papers, in discussing the advantages that the dealer derived from belonging to an association, in the protection he received as a result of association activity, pointed out that when a nonassociation dealer was hurt by a direct sale there was no one to whom he could appeal for redress except the offending manufacturer and jobber. On the other hand, it was shown that when the secretary of a dealers' association took up such matters in the name of the association for members, in many cases a commission was obtained and in other cases a positive promise was made that direct selling in that particular locality would cease. If the manufacturer ignored a complaint from the association or refused to discontinue direct selling, the case was taken to the National Federation, which, it was stated, had been remarkably successful in curbing direct selling after offenders had ignored complaints of the State associations.

In October, 1909, the president of the Federation expressed the belief that the Federation should seek close relations with the constituent associations in their work. He thought, furthermore, that claims should be forwarded to the secretary of the Federation, and, if found just, the power and influence of the Federation should be exercised to effect a settlement. If that proved impossible, the secretary of the complaint committee should be notified that the matter would be called to the attention of the Federation at its annual meeting, when the party complained of could appear and explain conditions.

In a general letter issued to members of the Western association June 27, 1910, the secretary stated that the way to make the complaint department most effective was for members to report all irregular sales in their localities. He admitted that the association was not always successful in securing adjustments satisfactory to members, but pointed out that the fact that if a report was made it showed that the association was on the alert. He asserted that a repetition of the trouble rarely ever occurred.

In May, 1910, the United States Supreme Court handed down a decision in the case of the Grenada Lumber Co. *v.* the State of Mississippi (217 U. S., 433) upholding the constitutionality of a State statute under which a decree had been rendered by the Supreme Court of the State of Mississippi dissolving a voluntary association

of retail lumber dealers, and holding that an agreement not to purchase from wholesale dealers who sold directly to consumers amounted to a restraint of trade within the meaning of the antitrust statute of that State.

This decision was not altogether unexpected to the implement dealers' associations. Immediately after it had been announced dealers belonging to the associations were assured in the Implement Dealers' Bulletin that the decision did not in any way affect the associations of implement and vehicle dealers organized under the uniform constitution and articles of association prepared by the National Federation, under which rules no pledge was exacted from members not to patronize those who sold goods to mail-order houses or directly to the consumer. The secretary of the Federation also advised the secretaries of the various constituent associations to the same effect in a general letter. Apparently the situation was not free from some doubt, however, because in this letter the secretary of the Federation expressed the belief that there were some parts of the articles which it would be advisable for the association to eliminate at their next convention. Mention of the specific changes would be made in another general letter after the Federation had had time to act upon the matter.

In this letter the secretary of the Federation also referred to a suggestion in a former general letter made immediately after a court decision in Nebraska, as to the best method of conducting the correspondence in complaints, namely, to the effect that the secretaries would do well to ask jobbers or manufacturers against whom complaints were filed if they desired information concerning reports coming to the secretaries in regard to shipments which they had made to parties who did not seem to be regular dealers. The secretary of the Federation assured the secretaries that, if they had such a request for the information, they would be perfectly safe in prosecuting the case. He did not think the secretaries would experience any difficulties in receiving affirmative replies from all wholesalers. He advised the secretaries to file these replies where they could be easily referred to. This, he said, he mentioned simply as a safeguard.

Prompted by the decision in the Mississippi case, the delegates at the annual convention of the Federation in October, 1910, recommended by unanimous vote that, as a precautionary measure, each association amend its constitution by eliminating the article relating to members reporting direct sales to the secretary of the association. (See p. 187.)

The matter was brought to the attention of each of the secretaries of the constituent associations, requesting them to embody this recom-

mentation in their reports to the conventions of their associations. In this letter the secretary of the Federation said, in part:

You of course understand that the Federation's action was simply recommendatory. The associations must take individual action, but this should be done in *executive session*.

The secretaries were asked to notify the secretary of the Federation, whether they would mention this matter in their reports, to withhold it from the press and to notify the secretary of the Federation promptly if favorable action were taken. The secretaries were admonished that this "is a matter of great importance."

At its annual convention in January, 1911, the Western association made the recommended changes in its constitution. Similar action was taken by the other associations belonging to the Federation.

At the convention of the Western association held at Kansas City in January, 1911, the secretary in his report referred to the matter of direct sales as follows:

The subject of direct sales by manufacturers and jobbers concerns you perhaps more than any other. It is an evil you have to combat, and only by presenting a solid front is there hope of relief. It is the purpose of this association to point out to the wholesaler that to solicit the trade of the dealer upon the representation that he does not sell to the consumer, then to solicit the consumer's trade, is not fair. We concede the legal right of any wholesaler to sell direct if he sees fit, but we insist that to be fair he should declare his policy that all may know it, instead of claiming to be the dealer's friend, and at the same time making an occasional direct sale and giving as an excuse that he supposed the customer was a dealer. Developments during the year made it seem necessary to enter a general protest against direct sales if we were to stand by the plank in our platform, which provides that to the retail dealer belongs the retail trade. The subject was carried up to the Federation, and made the chief subject of discussion at the conference held with the manufacturers' committee on dealers' associations. The committee admitted the justice of the dealers' position, but called attention to the fact that many manufacturers felt compelled at times to place their goods direct in order to introduce them, as dealers will not buy until demand is created. Consideration of this phase of the subject suggests the question of introductory price and making all deliveries through dealers. The phase of this direct sales subject which has caused your officers the most annoyance is the practice of withholding commissions to force contracts, not paying them unless agencies can be established. Your officers take the position that this is unfair and on a par with the practice of a class of wholesalers who make no pretensions to protect any except their own agents. The Federation carried the matter up to the manufacturers' association, and it was handled by that association in a spirit of fairness. Reso-

lutions were adopted which place it squarely upon record as opposed to direct sales. With this explanation of the reason it was deemed best to revive the discussion of this subject at this time, I leave it for you to handle as you deem best.

There was considerable discussion of this subject among the members. Dealers with grievances of this sort were advised from the floor by other members to take the matter up with the secretary of the association. It appeared to be the sentiment of a number of the members that the competition of mail-order houses was not nearly so serious as the matter of direct sales by manufacturers and jobbers who usually sold through dealers. An effort was apparently made to have the members realize that they should not mention in the discussion the names of any concerns that they thought were selling directly. The resolutions committee were directed to bring in a strong resolution on the subject. This read as follows:

That direct sales to consumers by jobbers and manufacturers who seek to market their goods through the retailers are not justifiable, and that the practice should be wholly discontinued.

At a meeting of the directors of the Western association in April, 1911, the evidence in a large number of complaints was considered and a number of interviews were held with interested parties. It was reported that a majority of the cases were adjusted and the rest were continued pending further investigation. It developed that some of the complaints had been filed on account of shipments to the complainant's town, which the evidence showed had been made upon the order of dealers at neighboring towns. Accordingly, the directors adopted the following resolution:

Inasmuch as a great amount of trouble occurs on account of dealers' ordering goods shipped direct to customers in neighboring towns, causing dealers in those towns to complain of the shipments, and giving to those who contemplate buying similar articles the impression that they can buy at wholesale price as they conclude their neighbors have done, we recommend that our members have all such shipments consigned to themselves, giving their customers orders on the railroad agent at destination for the goods, and the secretary is hereby instructed to take the subject up with the jobbers of Kansas City with a view to securing their endorsement of the plan and their assistance in putting it into effect.

Later in the year the secretary of the Nebraska association called the attention of the secretary of the Federation to the wording of certain sections of the articles of association recommended by the National Federation for adoption by local clubs of dealers. These sections read as follows:

## ARTICLE III.

## PROTECTION.

SECTION I. One of our first duties will be to stand together and join with other association workers in protecting each other against irregular sales by jobbers, manufacturers and catalogue agents.

SECTION II. Any commissions which may be collected on such irregular sales in our territory shall be turned into the treasury of the Club, and used for entertainment and other expenses for the benefit of all.

The secretary of the Nebraska association stated that it had been called to his attention that the wording of the lumbermen's articles of association were not as strong as these. The secretary of the Federation immediately replied that the necessity of changing these articles had been entirely overlooked and that he would write to all the secretaries in regard to this matter at once.

Another letter to the secretary of the Nebraska association from the secretary of the Federation, dated August 18, 1911, read, in part, as follows:

I want to caution you about the manner in which you handle this complaint<sup>1</sup> to all others. Recent developments have shown the necessity for using care. You must understand that no threats can be made, either implied or direct, and even if you do not succeed in securing an adjustment all you can do is to dismiss the matter. You have absolutely no recourse under the law. I have tried to make this plain to all of our secretaries, and I hope they thoroughly understand it, and that none have made any mistakes. I know perfectly well what the temptation is, but you must remember that we are an organization of business men, and are not law breakers. We hope in the near future to have better information concerning the limit to which we can go in the conduct of such matters. I really believe that in this case your executive committee, when it meets the day before your convention, can secure an adjustment. Possibly it can be done sooner.

GOVERNMENT INVESTIGATION OF PROTECTIVE ACTIVITIES OF ASSOCIATIONS.—In the early part of 1911 a series of questions concerning the work of the federated associations was propounded to the secretary of the National Federation by the Bureau of Corporations. This was mentioned by the secretary of the Federation in a letter to the secretary of one of the constituent associations in which he asserted that as soon as he could get his answers to the Bureau in shape they would be submitted to an attorney for suggestions. In this connection, he said in part:

I mention this to impress upon you the absolute importance of the greatest care in the prosecution of your complaint depart-

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<sup>1</sup> Evidently referring to a case which had been mentioned in previous correspondence with the secretary of the Nebraska association.

ment. We do not want any difficulty such as the lumber secretaries are having. Recent decisions and investigations make it hard to tell just where we are "at" and how far we can go as none of us desire to go contrary to the law.

Writing to another secretary a few days later, the secretary of the Federation expressed the opinion that the main thing for the Federation to take up was how the associations were going to furnish protection for their members against direct sales by wholesalers and yet keep within the bounds of the law. He characterized this as a hard proposition and suggested that it might be found necessary for the dealers to consult with a class of manufacturers whom they knew to be interested in seeing the trade protected as much as the dealers were. In this connection he stated that two prominent officials of the Federation thought that the annual meeting of the Federation in the latter part of 1911 should be held the same week as the convention of the manufacturers.

About this time a representative of the United States Department of Justice visited the office of the secretary of the National Federation to examine its records. He also visited the office of the secretary and general manager of the National Implement & Vehicle Association. The latter, in writing to the secretary of the dealers' Federation, stated that he had given this representative the freedom of the office of the association, withholding nothing, and that he had endeavored unsuccessfully to learn who had filed complaint with the Department of Justice, but presumed that it was some disgruntled concern who found they could not "straddle the fence" and sell both the dealers and the consumers at the same time. He stated that he had reported the matter to the chairman of the National Implement & Vehicle Association's committee on dealers' associations, who might discuss it at the Federation meeting in October.

In replying to the above letter the secretary of the Federation advised the secretary of the manufacturers' association that the latter now knew the main reason why the Federation felt it necessary to hold its meeting at the same time that the manufacturers' association held its convention. (See p. 168.) The secretary of the Federation stated that he had withheld nothing from the Government representative. In this letter he claimed to know who filed the information with the Department of Justice in the first place. He went on to say in part:

If we can not conduct our association along the lines we have been pursuing then the retail dealers' lease of business life is not very long. There has never been a report sent to a member of the Western association, nor from the office of the Federation, to any member, concerning any jobber or manufacturer who has refused to protect the trade as we felt it should be protected.



When we have been unable to convince them that our position was right we have simply had to drop it. The party who filed the information is one of those who could not be convinced and insisted that his goods should be marketed direct if he saw fit. I do not know what cause he has for thinking that any boycott has been established for there positively has not. The letters which I wrote them concerning the shipment which was reported to me I would be willing to let anybody see. When we could not secure an adjustment of the matter we, as stated before, dropped it. I undertook to have a friendly interview with this party during your St. Louis convention, but the interview was stopped abruptly. I will tell you more when I see you. This letter, my friend, is not for your files. I thank you for what you have done. I can not feel that we need worry over the outcome. We have not pursued such methods as the lumbermen are reported to have pursued.

Under date of September 16, 1911, the secretary of the National Federation wrote the secretary of the Idaho Retail Hardware & Implement Dealers' Association as follows:

I presume you know that nearly all retail dealers' associations are undergoing an investigation at this time. If they have not reached the associations on the Pacific slope it is only because they have been too busy in the East. It is hard for us to know how far we can go in this association work, but I sincerely hope the question will be cleared up before very long. It is coming to a queer pass when dealers are not permitted to even advise each other as to the business methods of others, and to consider if to trade with them is best, when at the same time the big concerns who are clearly violating the antitrust laws get off without the slightest molestation. So far as I know every association in our Federation has been very careful. They have never used the boycott; neither have they ever used coercion in any form, and so far as I know no notices have ever been sent to the membership of any violation of trade rules by wholesalers, and if we are not allowed in our association work to try to secure protection through our members against direct sales by persuasion and reasoning then we are indeed in a sad plight. If you are in Iowa in October I wish you could attend our Federation meeting. It will be held in Chicago October 17, 18, 19 and 20.

Later in September, the secretary of the Federation, in a letter to the representative of the Department of Justice who had visited his office, explained the activities, purposes, and methods of the organized implement dealers as follows:

I have thought best to send you a complete file of the general letters, except number one to five exclusive which I have been unable to locate.

In this connection, it may be well for me to briefly explain the subject matter of some of the letters in writing along the lines heretofore explained orally.

Number 18, in reference to a list of catalogue houses, refers to an effort made by my office to secure such a list so that I might always be able to ascertain at once whether it was worth while to take up complaints. I could not know all the manufacturers and jobbers. Sometimes in taking up a complaint with an unknown house, upon the supposition that their policy was in line with that of the trade in general and that the claim might therefore be adjusted, I would learn that I was wasting effort with a concern whose fixed policy was otherwise. However I found in an effort to compile this list that it was so extensive as to make it impossible to keep it complete and therefore it was abandoned.

Letters 19 and 20 pertain to the information bureau which died a bornin', except the maintenance of the formal organization. A great many members had expressed a desire to be able to ascertain promptly as to whether any given manufacturer or jobber, practiced the policy of shipments direct to consumers, and possibly some other information that I do not recall as being so desired. We were advised that we might legally compile such information and furnish to those who requested it; but that we should not voluntarily disseminate such information generally. In order that we might know as to how far such information was really desired and to give all our members equal opportunity in any of our activities, this bureau was organized and blanks sent to the members for signature if they desired to take advantage of it. The conclusion was reached that work along that line was not sufficiently desired or desirable, and the idea was dropped without ever being put into operation.

A number of letters refer to the prosecution of complaints. As I have explained to you, the association has endeavored to benefit its members and secure their support, adherence and interest by acting as an intermediary in the adjustment of complaints. It has always been the theory of the association of which I have been secretary, and federation, that the best results could be obtained upon the theory of cooperation between jobbers and manufacturers on the one hand and dealers on the other on the basis of mutuality of interest; that they desired to do business under advantageous conditions for their own profit; and that, as far as jobbers and manufacturers are concerned, they generally regard the local dealer as the best medium of distribution and that a local dealer who prospered through good methods distributed more goods and paid his bills more promptly; so that it was to their mutual interest to have agreeable relations and methods of dealing just to all concerned. On this idea, the association has argued general principles through its conference committees and handled special complaints through its secretaries, using such arguments and persuasion as it thought would appeal to the judgment of the manufacturer and jobber. As to complaints, it has believed that the majority of manufacturers preferred to be advised of and to adjust, where equitable, matters tending toward irritation of the local dealer or the demoralization of his business. Complaints of local dealers have been urged vigorously on this theory, and results sought to the end of doing justice to the local dealer and attaching him to the association. Where (as you must recall from the

complaint files thrown freely open to you) arguments as to mutual interest and proper trade principles did not avail, a complaint was dropped and dismissed and the member was advised, even though, as we regret to say, we have suffered severely in our membership from time to time because the members whose complaints were not adjusted felt that non-adjustment was due to failure of the association to take a more vigorous stand. Not only has the association of which I am a member abstained from any suggestion to wholesalers other than appeals to their good judgment and sense of trade equity, but the federation has cautioned the secretaries of other constituent associations not to do so, not only because of doubtful legality but because it was not good business policy. See letter of March 4, 1908, a copy of which was made for you when you were in Abilene but which you in some way overlooked in getting the large amount of data together.

You asked me in reference to our reporting to our members through circulars or constituent associations, or even by furnishing information to certain papers, wholesalers whose methods did not accord with the judgment of the federation as to business policy. We have never done anything of that kind. The only instance in which we have taken any action in such a matter was to correct a wrong I believed was being done to manufacturers and is found in letter 34. Inquiries indicated that the Banner Buggy Company had been misrepresented in a trade paper, and we did what we could and what we thought was right to all parties, to correct what we believed to be a false report, although I had had no correspondence regarding the matter previously, and in fact, knew nothing regarding it until my attention was called to the report in the paper.

Sometimes in expressing in correspondence a thought perfectly clear to the writer, the thought as expressed is not perfectly clear to the one not viewing the language from the point of view of the writer's conception of the subject. If there is anywhere in any of these communications anything that you do not understand clearly, it will give me pleasure to endeavor to make it clear upon any request from you.

And this suggests to me that I repeat here the request made to you orally that in making your report, you embody a request from us that we be advised what, if anything, in the constitution or operation of our federation the department regards as improper in any way, so that we may make proper corrections. We have operated on the theory that there was a legitimate field for furthering the mutual interest of wholesale and retail dealers in building up the business along the best lines for all concerned by improving methods, exchanging information and opinions upon matters of general interest and as to specific cases. If there is any particular in which we have exercised bad judgment in seeking to attain that general purpose or in specific methods adopted, there is nobody more anxious to be advised of it than ourselves.

The secretary of the Iowa implement dealers' association referred to the investigation of the Department of Justice in a letter written

to the secretary of the Federation October 6, 1911, in which he said in part:

I don't fear for the results as I know that we have been as careful as it is possible to be. I think, however, that this situation should be presented in detail and should be gone over carefully at the Federation meeting, in order that the situation may be presented intelligently by the delegates to the various organizations in annual convention. If the rank and file have a clear understanding of the situation matters can be handled much better.

The secretary of the Federation in his reply stated that he felt that what they had to fear was the overanxiety of some official to make a record. He asserted:

We have been as careful as any one could be and if we are not permitted to conduct our work as we have done then we will have to disband and let the mail order houses take the business.

Just before the convention of the National Implement & Vehicle Association and the annual meeting of the Federation in October, 1911, the secretary of the latter wrote the chairman of the committee on dealers' associations of the National Implement & Vehicle Association in reply to a letter from the former, suggesting a date for a conference between the manufacturers' committee and the Federation at that time. In his reply the secretary of the Federation stated as follows:

I do not know that we have anything special to take up with your committee except the all important subject about which I wrote you recently and which will be the chief topic for discussion at our meeting. Upon the outcome depends the very life of associations. I do not believe that the class of manufacturers who want to market their product through the dealers want to see such chaotic conditions prevail as would if no restraint whatever is thrown around the business.

When the delegates to the Federation met at Chicago October 17, 1911, the president in his address suggested that the existing agitation against the middleman had resulted in making the implement dealers cautious, and that the results of Government investigation and the action of the governmental authorities in dissolving and readjusting many of the large corporations were such as to make the dealers scarcely know where they stood. In this connection he said:

We find that it is almost against the law to meet and to consult together and talk over matters.

He was of the opinion that the talk against the middleman was for political purposes. He said:

The real fact is that a selling organization is very necessary in order to market various products in this country and results often in advantage to the consumer as well as a higher price to the producer.

One of the principal matters discussed at the meeting was the subject of direct selling and whether the retail dealer is a necessary part of the machinery of distribution. This was discussed before the arrival of the manufacturers' committee, the opinion of the dealers present being that the manufacturers should recognize the dealer as the proper medium of distributing their goods. When the manufacturers arrived this was one of the subjects presented to them by one of the dealers present. In replying one of the manufacturers stated that the manufacturers and dealers should cooperate and that the manufacturer should protect the dealer against direct selling as far as possible. Another manufacturer took the position that the existence of the retail dealer is absolutely essential to the existence of the small manufacturer, and if the retail dealer should go out of business the small manufacturer would be compelled to do the same. The same manufacturer in addressing a meeting of the Illinois implement dealers on the same subject had spoken as follows:

Men, I want to tell you that we are on trial as retail implement men before the public, as to whether or not there is a necessity for our existence. The question to be decided is, as middlemen, have we imposed a cost of doing business that is too big a burden for our business to bear? Is there a cheaper method? If there is, and if that method is equally efficient, you may be just as sure as that you sit here that the extravagant plan must go. This is a question which is not alone one of economics, but which is likely to be as well one of politics. What we lack is the means for an organized effort to combat the antimiddleman publicity.

The chairman of the manufacturers' committee on dealers' associations and arbitration, in reporting to the manufacturers the proceedings at the conference of that committee with the dealers' Federation, affirmed that the members of the National Implement & Vehicle Association believed in the desirability of confining the retail trade to the retail dealer as the best method of distributing goods. He said in part:

Now while we can all agree, that the necessary factors in a practical and successful implement business, are the factory, the traveling salesman, or the jobber and the retail dealers, yet we must recognize that there is strong opposition to this plan.

For years, the mail order houses and the direct selling factories have tried to impress the farmers with the advantage of buying from them, but they have not been so very successful.

In the past two years, the mail order houses have bought some implement factories, and are controlling others. They will therefore make further and somewhat more plausible representations to the consumers. Their chief argument is, that they cut out the dealer, and give consumers the benefit of his profit. In some instances they make a specially low price on some one implement, and thus try to convince the farmer of their ability and resources

on other things. Recently some State prisons have been trying to make twine and implements.

Then, more recently, we have heard of the "Anti-Middle Man Association," and of those who say they "don't want anybody between them and the producer." And recently, the Department of Justice, doubtless at the suggestion of the mail order houses, has been investigating the dealers' associations, to see if they have been guilty of any illegal acts.

In short, there is quite a widespread inquiry as to the necessity and advantage of various methods of conducting business; and this has reached the implement industry. Our methods are on trial, not only the factory methods, but the dealers as well.

In other words, the present methods of conducting the implement business are up for consideration, and we have to prove the wisdom, the efficiency and the economy of our distributing system, if it is to be continued.

So that in our opinion, we as manufacturers, must closely scrutinize our own part in this system, cut out all unnecessary expense, stop all leaks and waste, and get down to bed rock in our costs of making and selling; and the dealer must do the same; handling sufficient lines to keep him busy all the year round, and have actual knowledge of what it costs him to do business—then have the courage to add to this buying price, and make a profit besides.

There must be the closest kind of cooperation between dealers and factories, in a serious and continuous effort to reduce the cost of distribution to the consumer; and at the same time, we will have the advantage of furnishing the farmer, by far the best machines he can get, of being on the ground to take care of him when in trouble, and of the personal acquaintance and friendship between farmers and dealers.

The members of the National Implement & Vehicle Association at this time adopted the following resolution on the subject of retail dealers' associations:

Whereas, The policy of the members of this association is to market their product through the retail dealers, and

Whereas, The retail implement dealers' associations are constantly working for the improvement of the conditions of their members,

*Therefore, be it resolved,* That this association heartily endorses the general policy of the retail implement dealers' associations, and the National Federation of Retail Implement and Vehicle Dealers' Associations, and will continue to cooperate with them in all legitimate efforts to improve the condition of the trade and through the dealers to supply the farmers with the best farm implements and equipment in the world, and at the lowest practical cost consistent with first-class implements and constant improvements.

The Federation in its resolutions reaffirmed its position that—

"To the retail dealer belongs the retail trade." The live, honest, energetic, retail implement, vehicle and hardware dealer is the best friend the farmer ever had. By reason of his location

and experience he is qualified to render to his customer such services as can be had through no other channel and from no other source. By such service to his community he has well earned the position which he is proud to maintain. The retail dealer is the connecting link between the manufacturer and consumer. His facilities for taking care of the manufacturer's interest and of rendering practical service to the consumer make him the natural and by far the most economical channel for the distribution of manufactured products.

We, therefore, reaffirm our position that "to the retail dealer belongs the retail trade," and maintain that the manufacturer who solicits the trade of retail dealers should afford them loyal and adequate protection in the sale of his goods.

Shortly after this meeting of the Federation and its conference with the manufacturers' committee, the secretary of the Federation replied to a letter from the publisher of an implement trade paper who had apparently inquired concerning the situation. In his reply the secretary said, in part, as follows:

Answering your inquiry concerning the investigation will say that nothing new has developed. A special agent of the Department of Commerce and Labor attended every session of our convention, also every session of the manufacturers' convention, and we were glad to give him permission to do this. We talked just as freely regarding matters connected with our work as we would had he not been there, for we have nothing to keep back. We have committed no act in violation of law. We have antagonized no one, and have been doing as we supposed and still think just as our friends the jobbers wanted us to do, namely cooperating with them in an effort to place the implement business upon a better basis. How well we have succeeded is evidenced by the loyalty of a large membership and the endorsement of our methods by a great number of jobbers and by the manufacturers in a strong resolution adopted unanimously at their recent convention.

We are very grateful to those who very promptly responded to our request for a letter setting forth the fact that our association had been conducted along conservative lines and had been a real help to all classes of the implement trade and that they were in sympathy with us and approved of our methods. It is also gratifying to note the willingness shown by the manufacturers to respond, and the character of the letters they have written should dispel any thought in the minds of Government officials that the manufacturers felt that we were antagonizing them in the slightest degree.

It is true that I have written to a number of jobbers, and interviewed others, requesting a letter setting forth the fact that it is their desire that implement dealers' associations be allowed to continue their work along lines which have characterized it in the past. This was first suggested to our board of directors by a letter written by one of the largest jobbers in Kansas City. Hearing of this I asked for a copy of same, and it set forth so forcibly the contention we ourselves had made that I brought it

to the attention of the board of directors, and the advisability of securing other letters of similar character was then suggested. We assumed of course that all would be as willing as this jobber had been to do this, and as before stated, I have received a great number of very fine letters which can not but fortify the position we have taken.

**PLAN OF HANDLING COMPLAINTS IN 1911 AND 1912.**—After the decision of the dealers to eliminate certain portions of the uniform articles of association under which the constituent associations (see p. 160) had been organized, the secretary of the Federation, in a letter to the secretary of the New York Retail Implement & Vehicle Dealers' Association, stated that all of the other State associations had eliminated all of article 6 (see p. 161), as the officials did not want anything in the association work that was in the slightest degree in conflict with the antitrust law. He cautioned the secretary of the New York association that reports of irregularities sent to members were not permissible, and asserted that in the 23 years which he had been in the work (as secretary of the Western association, part of the time as secretary of the National Federation) he had never notified the membership of irregularity in the conduct of the business of any manufacturer or jobber. He continued as follows:

In prosecuting complaints we simply try to make the wholesaler see that the dealers need their protection. The law has been such that we could not use any coercion and we must recognize that fact. This undoubtedly has been a handicap to you and to all other secretaries, but nevertheless it must be observed.

The question of the best method to be used in handling complaints was brought up a little later in a letter to the secretary of the Federation from the secretary of the Minnesota association, in which he wrote as follows:

I wish your advice in inserting the following in our convention program. I ask this in view of the investigation now being made of our associations.

“Important.—The arbitration committee will be in session in their committee room, adjoining convention hall, for the purpose of hearing complaints from any member. No complaints or grievances will be allowed on the floor of the convention. The arbitration committee will hear your trouble and report it to the convention in executive session, Friday afternoon.”

I wish to head off any attempts on the part of our members to air their grievances during an open session of the convention and further to handle the matter entirely through our arbitration committee.

A prompt reply is earnestly requested as I am now at work on our convention program.

To this letter the secretary of the Federation replied as follows:

I am in receipt of yours of 24th and replying will say that if I were in your place I believe I would say nothing about the



work on the arbitration committee. If you put this on your program you may be reasonably certain that a representative of the Department will be on hand and will ask you the privilege of attending all of your sessions, including the executive session. \* \* \* You are absolutely right about not allowing any grievances to be discussed on the floor of the convention. If you want to say on your program that the board of directors will be in session at a certain time and if members have any matters they wish to take up with them that is the time to do it, I can see no objections, but I would not say that the committee will make a report in executive session. You might just as well print it so far as the position the Government will take is concerned.

I believe I am right about this, Mr. Buxton, but if you think I am not and will point out wherein you think I am wrong I will be more than glad to hear from you. We would better be too careful during these parlous times than not careful enough. I heard when in Kansas City this week that the cases against the lumber secretaries had been dismissed. I notice by the daily papers that they have filed their case against the lumber associations in Minnesota. If you can secure any information I will be glad to have you write me.

The policy which the secretary thought the associations should pursue in their efforts for protection was indicated in a letter to a member of the Western association in December, 1911. In this letter the secretary said in part:

Our association can not change the policy of any manufacturer. Its province is to ascertain what said policy is, but we can not compel them to pay anyone a commission upon any direct sale they are pleased to make. \* \* \* I want to call your attention to the fact that matters of this kind must be handled in such a way as not to lay us liable in any way under the antitrust laws and I have conducted the affairs of this office in that way from the start and do not propose, if I can help it, to put myself in the position that some of the secretaries in other lines have done. I expect to meet the manager of the \* \* \* Wagon Company in Kansas City during convention and believe that if it were possible to arrange an interview between you and him we could get this adjusted very quickly. At any rate, I want the opportunity of explaining to you just how far we can go in such matters. I repeat that if it is their policy to sell their goods direct, we can not compel them to change it. Write me if you will meet me at the convention.

During the summer of 1912 the secretary of the Western association, who was also secretary of the National Federation, in an oral statement to an agent of the Bureau of Corporations, defined the manner in which complaints against individual manufacturers and wholesalers were then being handled by the association. He stated that when a complaint was received from a member of the Western association in regard to sales to an irregular dealer or directly to a

consumer the usual method was for the secretary of the association first to attempt to settle the matter by correspondence with the offending manufacturer or jobber. The secretary wrote asking if he wished to receive information concerning complaints which might be lodged with the secretary regarding his methods of selling. The reply of the jobber or manufacturer was usually that he would be glad to have such information. Thereupon the secretary stated the case, and if the matter could not be adjusted by correspondence it was taken up at a meeting of the board of directors of the Western association, at which meeting the manufacturer or jobber was requested to be present to state his policy. According to the secretary, if, at this meeting, the jobber or manufacturer said that it was his policy to sell to anyone who would buy, the board of directors at once considered him a direct seller. If he announced his policy to be one of protection to dealers, the matter was adjusted either by his paying a commission to the dealer in whose territory the sale was made, or sometimes dropped, upon an agreement of the offender to discontinue such sales. A great majority of the complaints related to irregular dealers. A case which could not be settled by the board of directors was referred to the Federation, but the secretary stated that these cases had been few. In this connection, he asserted that the secretaries of the constituent associations referred to the Federation only those cases which involved some important principle, as the Federation took the position that it had something else to attend to than the specific complaints of individual dealers.

Furthermore, the secretary stated that the only place where the dealer could air a grievance against a particular manufacturer or jobber was at executive sessions of the association, but he claimed that these sessions had been discontinued by the Western association. He stated that the purpose of the executive session had been to let the dealers know who were loyal to them. He stated that the last executive session of the Western association was held in 1909 or 1910, although it has been on the program since that time. In such session the secretary reported the number of complaints and usually the name of the manufacturer or jobber involved. The secretary declared that he had never in open session given members the names of direct-selling concerns as a matter of general information, but in the executive sessions there was no such limitation. He asserted, however, that in recent years the executive sessions have been given less and less to the matter of specific complaints, as the dealers feel that they have won their point and that in very few instances do manufacturers and jobbers sell directly. He claimed that very rarely did a manufacturer or jobber appear before the executive session, most of the work of adjusting complaints being done by the board of directors of the Western association meeting with indi-

vidual manufacturers or jobbers to talk over the complaint. The great bulk of complaints which the secretary could not settle by correspondence was adjusted in this way. The secretary asserted that the statement could not be made too strong that he had at no time supplied data to implement trade papers concerning direct selling.

The secretary denied that the association had ever attempted to limit sales by wholesalers only to members of the association, any regular dealer being recognized as entitled to wholesale prices from the jobber or manufacturer. He said that the association had never attempted to prevent a new dealer from going into business provided he proposed to carry a stock and make his living from the business. It was the man who sells from a catalogue, who does not expect to make any profit on his goods, that the association objected to. In this connection, he expressed the belief that the antitrust laws should be amended so as to permit the secretary of a dealers' association to notify all of its members in regard to direct sales by certain manufacturers. (See p. 202.) He claimed that all that could be done under existing law was to notify the individual dealer who inquired as to the selling methods of the manufacturer or jobber inquired about, or to reply to a question from a manufacturer or jobber as to the standing of certain concerns said to be dealers.

**NEGOTIATIONS WITH MANUFACTURERS RELATIVE TO FARMERS' COOPERATIVE STORES.**—The method of handling complaints by the Minnesota association in 1911 (see p. 172) is shown in the case of a complaint filed with the secretary of that association by a member who reported that a wholesale house at Minneapolis, whose name was given, had made a shipment of certain specified implements to a store conducted at his town as a farmers' cooperative enterprise. This member wrote the secretary of the Minnesota association as follows:

Kindly take this up at once with the above named firm and cut such business methods short, while still in its infancy. There is no reason they can offer for making such shipment, as the above concern at this place, receiving the goods, handle only groceries and dry goods. I trust you will be successful in getting the \* \* \* Co. to see the error of their ways, and that we may have no further trouble from this source.

The secretary acknowledged the receipt of this letter and appears to have followed the advice of the secretary of the Federation in opening correspondence with the wholesaler by asking if the latter desired to know of complaints filed against him. The secretary wrote as follows:

I frequently receive information from members of this association concerning shipments made to their towns by wholesalers to parties who carry no stock of implements or vehicles whatever, which they have reason to believe were made under a misapprehension of the facts, and I would like to know if you wish us to advise you when such information concerns you.

The reply of the manager of the wholesale house at Minneapolis, dated March 10, read as follows:

Replying to your favor of March 8, we shall consider it a favor if you will notify us of any cases where we are shipping machinery under a misapprehension as to the propriety of so doing.

It is our aim to sell nothing but the best class of dealers as we feel that it is as much to our own interest as to that of the trade, to discriminate closely.

Thereupon the secretary of the dealers' association wrote as follows:

Answering your letter of the 10th inst., I find that you have made a shipment of the following goods: One checkrow corn planter, one boss harrow, two walking plows, to the Farmers Co-op Merc. Co., of \* \* \*

The Farmers Co-op Merc. Co. of \* \* \* are not implement dealers, and it is to be assumed that these goods were ordered through this company for one of the farmers interested in the Merc. Co.

The Farmers Co-op Co. of \* \* \* handles only groceries and dry goods, and the fact that the shipment was so small indicates that they have no intention of engaging in the implement business. I find that where farmers' elevators and stores are in operation, the members of this association often endeavor to secure implements at wholesale by getting the manager of the company to order these for them.

I must say that the Minneapolis jobbers as a rule, refuse to fill these orders, but occasionally through oversight, a shipment of this kind is made, but I find that when the wholesalers attention is called to the matter, shipment of this character immediately ceases. I would like to have you go on record regarding this shipment, and let us dispose of this complaint before we have occasion to refer it to the arbitration committee of the Twin City Implt., Vehicle & Hdwe. Club and our own arbitration committee, who hold a joint meeting in Mpls. April 4.

I assume that you would not care to have these matters brought up at this meeting, but would prefer to settle it direct with this office, thereby avoiding any publicity.

The wholesale house, on March 13, wrote, showing what goods had been shipped, and stating that the shipment was made upon the representation of their salesman that the consignee was engaging in the implement business. They wrote again on March 20 that they had investigated and were satisfied the farmers' cooperative company in question was conducting a legitimate business, and they went on to say:

We are also informed that the person who made the complaint has made similar complaints in the past against other firms that endeavored to obtain a foothold at \* \* \*, and that he is a notorious price cutter when it comes to driving legitimate competition out of town. He is said to be fixed financially

so that he can afford to make whatever prices are necessary to force his competitors to the wall.

Should you publish in your official organ, any correspondence on this subject, we should be pleased to have you include the entire correspondence, together with this letter.

The secretary of the dealers' association wrote, on March 21, as follows:

Replying to your letter of the 13th, re Farmers Co-op Merc. Co. \* \* \* I wish to take exception to that portion of your letter wherein you say "This shipment was made by us on the representation of our salesman that these people are engaging in the implement business and judging from the fairly complete line of samples which they have ordered, we believe that we could not be criticized in honoring their order."

You know that the quantity of goods shipped \* \* \* does not indicate that these people are engaging in the retail implement business, and it is preposterous to assume that any such thing is likely to come to pass.

The name of the company should be sufficient to arouse your suspicion that these goods were ordered specially for some farmer forming this concern.

It seems strange that large wholesalers such as your company should so far forget the ethics of the implement business as to fill an order like the one in question, and then excuse the matter as you do in that portion of your letter quoted above. I know and you know that in this present day no man can engage in the retail implement business legitimately without carrying a stock on hand, amounting from \$2,000 up. In fact, the better class of dealers carry from \$4,000 to \$10,000 in stock.

Assuming that you wish to be fair in this matter, I am going to request that you make an investigation of these parties and unless they are willing to place an order with you for one or more cars of goods, embracing a complete line, that you refrain from shipping any more goods to them.

A joint meeting of the arbitration committee of this association \* \* \* will be held with the arbitration committee of the Twin City Implement, Vehicle & Hdwe. Club on Tuesday, April 4, and unless we can get this complaint closed before that time, I shall have to refer the matter for adjustment to this committee. I assume that you would not care to have your name before this committee and hope I can get a definite promise from you before this April meeting not to ship any more goods to the \* \* \* people.

The case was brought to the attention of the joint arbitration committee mentioned in the correspondence, but nothing further seems to have been done about it. In an interview with an agent of the Bureau of Corporations at about this time the chairman of the jobbers' committee on arbitration stated that he had no knowledge of any case where the dealers' association had actually notified its members that any jobber or manufacturer was unfair.

Another Minneapolis jobber, however, stated that he gave up an agency with another farmers' cooperative store in that State in 1911 because the grievance committee of the Minnesota Retail Implement Dealers' Association complained that such sales were irregular.

The sale of goods to cooperative stores had already been discussed by the directors of the Western association at the convention in January, 1900, when it was decided that the association could not then reach such cases, and the subject was dismissed. A year later the report of the secretary of the Western association disclosed the reason for the opposition of dealers to such stores. In this report he said:

As I understand it, the prices maintained are somewhat lower than the regular retail prices; then each purchaser who is a subscriber to the stock of the cooperative store receives a rebate, and it has become the custom of these parties to purchase goods for their neighbors, securing the rebate for themselves and dividing it with the purchaser. It can readily be seen that this makes very hard competition for the other dealers in the same towns. I have had considerable correspondence with the dealers in that county and finally wrote them that if one of their members saw fit to be present at this meeting I knew that this board would accord them a respectful hearing.

Activities of the Iowa Implement Dealers' Association in opposition to the sale of farm machinery by farmers' cooperative stores in that State are referred to elsewhere. (See pp. 154-158.)

In October, 1910, the secretary of the Federation, in a letter to the president of the Cost Educational Association (who soon afterwards became secretary and general manager of the National Implement & Vehicle Association), characterized the cooperative movement among farmers as dangerous. The letter referred to read in part as follows:

A new danger threatens the dealers in Kansas and Oklahoma. I refer to the Farmers' Unions. These are causing trouble because some manufacturers and jobbers contend that they must sell to them. It is going to cause trouble. I want to talk to you about this in St. Louis if I can have your attention a few minutes. It is a matter that we must handle quickly. It can not be given any publicity. Could not take it up in Chicago as there was too much else to talk about.

It may also be noted that the Virginia & North Carolina Retail Implement, Machinery & Vehicle Dealers' Association, which was organized in February, 1909, and became affiliated with the National Federation in 1912, was engaged in opposing the sale of farm machinery to stores operated in connection with Farmers' Union cooperative stores at several points in North Carolina. Its secretary, in speaking of its work in 1912, stated that through its

efforts several large concerns had been induced to stop furnishing supplies to irregular dealers, mostly Farmers' Union cooperative concerns. He was strongly opposed to these enterprises, feeling that if they could get a supply of farm implements and machines they would eventually control that part of the retail business. Notwithstanding the fact that this association was composed of only about 40 members in 1912, its protest to several manufacturers is said to have caused the latter to discontinue shipments to several farmers' cooperative stores in North Carolina. After its protest a wagon-manufacturing company refused to furnish a second consignment of goods to a farmers' cooperative supply company which planned to sell to members at cost after making allowance for an amount necessary to pay 6 per cent on stock after actual selling expenses were paid. A protest to a western plow manufacturer caused the latter to advise the farmers' cooperative store at another point that they could furnish no more goods until they had made an investigation, and also caused an eastern manufacturer of farm machinery to stop selling to this store.

Similarly, protests from regular dealers resulted in cutting off most of the supplies of a farmers' exchange at a point in eastern Tennessee.

The president of the Virginia and North Carolina implement dealers' association, in an address in the early part of 1913, is quoted as saying:

The Farmers' Union, an organization established for the purpose of buying and selling direct, must claim a portion of our attention, for if this combine accomplishes its full purpose, the retail implement dealer is no longer of service to his country except to carry repairs and furnish time trade to those who can not obtain membership in the union. We can not object to a manufacturer selling these unions provided he markets his entire output in this manner, but must assert ourselves against the practice of selling both the dealer and the consumer.

In 1913 the Pennsylvania and New Jersey Retail Implement Dealers' Association became one of the constituent associations of the National Federation. This association had been formed a short time before, largely through the efforts of a trade paper which made an aggressive campaign against the sale of goods by manufacturers to a cooperative enterprise operated in Pennsylvania by the Lancaster County Farmers' Association. Almost as soon as the association of Pennsylvania and New Jersey dealers joined the Federation it filed protest with the secretary of the latter organization against the sale of goods to this concern in Lancaster County.

The Federation secretary wrote the secretary and general manager of the National Implement & Vehicle Association, advising him

that the Pennsylvania and New Jersey dealers had a grievance in the matter of manufacturers selling to cooperative stores, which they wanted to have considered at the next Federation meeting. He wrote that a great amount of publicity had been given this matter through certain trade papers, and he understood that a request had been made of the president of the National Implement & Vehicle Association to appoint a special committee to hear the grievance of the eastern dealers, and that a similar request had been made of the Federation. He stated in his letter that they had been advised that the Federation could not think of granting their request for a special committee, but that a hearing would be granted. The matter, he thought, should come up before a meeting of the committee on dealers' associations of the manufacturers' association and the official board of the Federation. Apparently, one of the reasons why the eastern dealers had requested that the matter be referred to a special committee was the fact that the chairman of the manufacturers' committee on dealers' associations was one of the manufacturers complained of.

The secretary of the National Implement & Vehicle Association in his reply to the secretary of the Federation stated that he had discussed the matter with the chairman of the executive committee of the manufacturers' association, and that in their opinion it was a matter that did not properly concern the joint conference until it had been reduced to a point where some principle of a general character was involved. He advised that the Federation appoint a special committee to meet with the chairman of the committee on dealers' associations of the manufacturers' association and other manufacturers concerned in the eastern trade to thresh the matter out and report. He went on to say:

The conditions in the eastern territory, as you are probably well aware of, are quite different than in the West, and I do not think you will find it possible to apply literally the definition of a retail dealer to that eastern country, but undoubtedly something can be done to bring about a better understanding between both dealers and manufacturers.

The Pennsylvania and New Jersey Retail Implement & Vehicle Dealers' Association was represented at the convention of the Federation at its convention in October, 1913, but the published records of that meeting do not show that any action was taken on the complaint of the eastern dealers, nor do the resolutions adopted contain any reference expressing the condemnation of farmers' cooperative enterprises except as may be contained in the following:

*Questionable selling schemes.*—Whereas, in the course of retail trade, certain conditions have developed in which corporations, firms or individuals have sold so-called membership cer-



tificates, which entitle the holders to special prices more favorable than those offered to nonholders of certificates, therefore, be it

*Resolved*, That such fly-by-night schemes should not be practiced; that concerns adopting this plan are not entitled to the benefits derived from membership in the retail associations, and that said concerns place themselves in a position to be looked upon unfavorably as customers for manufacturers and jobbers.

The implement trade paper which aided in the formation of the Pennsylvania and New Jersey association (see p. 179) was also a factor in causing the association of Virginia-North Carolina dealers to be organized. This paper, which was adopted as the official organ of the latter association, in an editorial discussing the competition of the cooperative stores, said:

It makes no difference at all if these farmer stores carry a stock, sell at retail prices and perform outwardly the function of a regular dealer, they are organized to break down the regular merchant, and we are going to fight any house who will supply goods to them and attempt to supply goods at the same time to the regular merchant.

In explaining the attitude of the organized dealers toward the sale of implements to cooperative stores to an agent of the Bureau of Corporations in 1912, the secretary of the Federation asserted that that organization had never considered the general topic of cooperative stores. He stated there is no reason why implements and vehicles should not be included in the stock of successful farmers' stores; that whether a manufacturer is justified in making a successful farmers' store his retail agent depends upon the selling policy of the company. He asserted that if the farmers' company sold at cost it would put all dealers out of business, and that if it expected to pay dividends to stockholders allowance must be made for expenses and profits. He stated that the fact that a farmers' cooperative association holds stock in an established corporation doing a regular implement business would not necessarily make that corporation an irregular dealer.

During the summer of 1912 agents of the Bureau interviewed a number of managers of farmers' cooperative enterprises in several States. It was found that many of the so-called cooperative stores were merely stock companies not really cooperative. It was found that cooperative stores were not numerous and that those handling implements were still fewer in number. Of over 300 farmers' elevator companies in the State of Iowa, probably less than 20 handled implements. Several which had formerly handled implements had given up the attempt. One reason assigned for this change was the difficulty of securing standard lines of goods due to the attitude of the Iowa Implement Dealers' Association. Another reason given was that the

manufacturers took away the agency because the retail prices of the cooperative store were not high enough. A third reason assigned was lack of capital, which made it impracticable for the cooperative stores to sell implements on time. Nearly all the managers interviewed agreed that the profit in implements was less than in other lines handled, and they did not believe that it would pay to handle implements as a separate branch of their business, as the volume of their implement trade was small.

OPINIONS OF THE TRADE AS TO PROTECTIVE ACTIVITIES OF ASSOCIATIONS.—In the course of the Bureau's investigations members of various associations, including the Western, Iowa, Illinois, North Dakota, Tri-State, and other associations, expressed the opinion that direct sales by manufacturers and jobbers had been curtailed through the efforts of the dealers' associations.

In Minnesota one dealer belonging to the Minnesota Retail Implement Dealers' Association stated that the members of that association do all they can to secure a list of manufacturers who do direct selling and that "the boys" come away from the meetings in such a frame of mind that they will not patronize such wholesalers. Other members thought that the Minnesota association had benefited its members by breaking up direct selling. One stated that the association through its grievance committee would "boycott" a wholesaler for selling direct to farmers in a territory where the wholesaler had a dealer agent. Another member stated that if the wholesaler refused to stop direct selling the case was reported to the convention of dealers who were then expected to quit buying of him. Another member said that the association knows that it dare not distribute lists of direct sellers among its members, but these names can be well scattered among the dealers by means of the traveling salesmen of loyal houses.

The representatives of several of the smaller wholesale houses at Minneapolis stated that the Minnesota association had been more aggressive prior to 1910 than subsequently. One had been threatened some time previously with a boycott which had not been carried out. Another had been told by the dealers that if he did not pay a commission requested they "would fix him." Another representative of a wholesale house who had paid a commission on a direct sale at the request of the dealers' association, stated that he supposed he would have been blacklisted if he had not paid it, as he believed it to be the policy of the association to boycott wholesalers who sold directly. Another manufacturer stated that the Minnesota dealers' association was strong, but would not boycott anyone for that reason, and in this connection he cited an instance where he had made a direct sale which was reported to the association, but nothing was

done. Furthermore, no evidence was found to indicate that any manufacturer or jobber had ever been actually put under the ban of this association.

**PROTECTIVE ACTIVITIES NOT CONFINED TO IMPLEMENT TRADE.**—The protective efforts of the implement dealers' associations have not been confined to the implement trade. In alluding to this matter in December, 1909, the secretary of the Western association in a letter to a Kansas dealer wrote, in part, as follows:

You are mistaken when you say that the interest of our association is devoted only to the implement business. This is far from being the case. We feel that we have accomplished more real good with the hardware and supply houses than with any other branch. A few years ago nearly all of the hardware and supply houses were selling goods to mail order houses, but at present not one of them is doing it to my knowledge. We are taking up complaints on account of violation of trade rules by the hardware houses just the same as the implement houses. I am glad you have given me an opportunity of explaining this.

Still later, in writing to another firm of dealers, in May, 1911, he said:

I have a number of complaints on hand now where shipments have been made to parties who are not regular hardware dealers, and they are being pushed the same as though they were for implement dealers.

The fact that you have not had any trouble in your vicinity is a matter for congratulation, and I hope that you will give the association's **RESTRAINING INFLUENCE** credit. If you have any particular grievances, kindly notify me.

In the latter part of 1912 it was asserted in the Bulletin that over 80 per cent of the members of the Western association handled hardware and that a large percentage were exclusively hardware dealers.<sup>1</sup>

In March, 1913, members of the Kansas City Retail Hardware Dealers' Club joined the Western association to secure its protective influence. This marked the consummation of negotiations that had been pending for two years.

Shortly after the Kansas City hardware dealers joined the Western association an item was published in the Implement Dealers' Bulletin stating that two instances had already taken place which showed that their confidence in thinking that they could get some relief from unfair conditions by joining the Western association had not been misplaced. Subsequently, the secretary of the Kansas City Retail Hardware Dealers' Club wrote the secretary of the Western

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<sup>1</sup> In 1913 several local clubs of hardware dealers, previously organized by the Minnesota Retail Hardware Association, were combined with local clubs of implement dealers organized by the Minnesota Retail Implement Dealers' Association. Local clubs formed in that State during 1914 were composed of both hardware and implement dealers.

association in regard to the assistance of the latter association, as follows:

I was instructed at last night's meeting of our club to convey to you the thanks of this body for the help of the officers of your association in bringing about a very important change in conditions here but think all concerned will be benefited and we are pleased to think we joined the Western association and have the benefit of its protective influence.

In connection with this matter the Bulletin for January, 1914, contained an article stating that one of the hardware companies at Kansas City had discontinued its retail department, a very lucrative branch of its business. This had been done, it was stated, in order to meet the wishes of the retail hardware dealers of Kansas City and of Independence, Mo. The article stated that the retail dealers "are much pleased with the new policy of this old and reliable concern, as the hardware dealers in the Kansas City territory will all be, and have pledged them a larger share of their business than they have heretofore given them."

Furthermore, at the convention of the Western Retail Implement & Vehicle Dealers' Association in 1914, the name of that association was changed to the Western Retail Implement, Vehicle & Hardware Association in order to give recognition to members handling hardware exclusively. At this convention a number of automobile dealers were also admitted to membership.

In the early part of 1913 the secretary of the Federation seems to have felt that the associations were in danger of losing sight of the fact that their primary object was the protection of the regular dealer. In this connection, he issued a general letter to the secretaries of the constituent associations in April, 1913, in which he said, in part:

We are trying to raise the standard of the implement dealer and secure for him the protection to which he is entitled, but you know we can not do these things through our freight audit bureaus, etc. [See p. 73, note.] They are simply means to the desired end.

A copy of this letter was sent to the secretary and general manager of the National Implement & Vehicle Association with a letter which read, in part, as follows:

I supposed that a copy of general letter No. 77 had been sent to you but I find it has not. I enclose one herewith. I simply send this to you to let you know what my fears are in regard to the work of some of our associations. They have been laying so much stress upon the insurance plans and the freight audit bureau that I feared they might neglect some other more important work. I have received four replies and in all of these

the secretaries express their thanks for the timely warning that I have given them. Three of them said they were going off on the very tangent I feared they would. If we are going to make a success of this association work we must not get very far away from the main principles for which we are organized.

#### Section 4. Methods used with manufacturers unwilling to settle complaints amicably.

In the earlier years of association activity among the dealers, the members of various associations pledged themselves not to patronize any manufacturer or jobber who did not confine his trade to the regular retailer. The establishment of harmonious relations with manufacturers' and jobbers' organizations provided a method by which most complaints by dealers against individual concerns could be amicably adjusted, but at times cases arose in which the manufacturer or jobber complained of was not willing to conform to the requests of the dealers. From the standpoint of the dealers the most desirable way of treating such cases was for the names of such offending manufacturers and jobbers to be furnished to the membership of the dealers' organizations.

During the nineties the discussion of complaints at executive sessions of the members provided one way in which this information was disseminated, but as some uncertainty appears to have existed as to the legality of this practice, the secretary of the Western association, in 1900, consulted the attorney of the Missouri & Kansas Lumbermen's Association as to the liability of the Western association in reporting to members the names of manufacturers and jobbers who had failed to afford what was considered proper protection by the dealers. Arrangements were made whereby the attorney undertook to examine the laws of the States where the Western association was represented, and also to review the constitution and by-laws of the association and the resolutions adopted at conventions. The minutes of the association record that the attorney appeared in person before the board of directors of the Western association at its convention in January, 1901, and advised as follows:

To bring violations of trade rules to the attention of our members by simply stating in our Bulletin or by private circular that "the following wholesalers sell at wholesale and retail" or "Mr. Blank says he would not buy from ——— because they sell to the user or consumer."

The minutes of this meeting, however, do not show that any action was taken on this advice.

INFORMATION BUREAU.—The matter of constituent associations furnishing information to members was again taken up at the annual meeting of the Federation in October, 1903, and also in November,

1904. At the latter meeting the secretary of the Federation reported as follows:

There are, as you are aware, two classes of wholesalers; one class protects the dealer because they want to, and the other because they feel compelled to, and there is a very evident feeling on the part of the latter that, owing to recent decisions of the courts, we are not in a position to report violations of well established trade ethics without laying ourselves liable under the anti-trust laws, and take the position that such action on our part would be construed as an act in restraint of trade. Developments during the year have demonstrated plainly the necessity of associations adopting such rules as will enable them to safely report to members the names of such wholesalers as do not show a willingness to protect the trade.

The druggists' association is involved in litigation at the present time, and the lumbermen have had considerable trouble. The latter finally, upon advice of their attorneys, abrogated the old rules and formed a sort of information bureau. The members become subscribers for the information the same as a wholesaler does to a commercial agency when he subscribes for information concerning the standing of dealers. If the wholesaler shows a disposition to ignore the dealers' rights, the information can be given to members, and there being nothing in the rules which binds members to withhold trade from such concerns it can not be construed that the action is in restraint of trade, and the anti-trust laws will not apply. If at this meeting a set of rules can be outlined so that the coming conventions can ratify them it will be a very important work accomplished. The same by-laws might not be suitable for all constituent associations, as different situations may prevail in different localities.

If we expect this Federation to accomplish the greatest amount of good for the retail dealer we must organize upon a firm basis, not only that, but we must see to it that our constituent associations are thoroughly organized. There must be system about the work. This is one of the important matters to come before this meeting, and I trust that sufficient time will be devoted to it to complete the work.

In connection with the secretary's declaration, shown above, to the effect that the associations should adopt rules to enable them safely to report to members the names of wholesalers who did not show a willingness to protect the trade, the preparation of a uniform constitution and by-laws for all of the constituent associations was made a special order of business at this convention. One of the delegates read the constitution and by-laws adopted a short time before by the Southwestern Lumbermen's Association, which, it was announced, had been adopted by all of the lumbermen's associations in their Federation. After a thorough discussion, articles of association were adopted as a form to be recommended to the various associations belonging to the National Federation of Implement & Vehicle Dealers' Associations. These articles stated the object of the asso-

ciation was "to secure and disseminate to its members any and all legal and proper information which may be of interest or value to any member or members thereof in his or their business as retail implement, vehicle, or hardware dealers." (See Exhibit 24, p. 310.)

The articles recommended provided that no rules, regulations, or by-laws should be adopted in any manner stifling competition, limiting production, restraining trade, regulating prices, or pooling profits; that no coercive measures or discriminatory practices should be used toward any retailer to compel him to join the association or to refrain from buying from any particular manufacturer or jobber; and that no promises or agreements of any kind should be requisite to membership in the association, nor should any penalties be imposed upon members for any cause whatsoever. One of the articles provided, however, that any member, having a knowledge of a sale by a manufacturer or wholesale dealer to other than a regular dealer, might notify the secretary of the association, giving full information, and that upon the receipt of this notice it should be immediately verified by the secretary. Each member was also expected to furnish the secretary annually or oftener a list of the manufacturers and wholesalers from whom he bought.

The resolutions committee of the Federation, in referring to the uniform articles of association, made the following report:

As is well known to most of the official members of our constituent associations, their work, as well as that of the Federation board, is frequently hampered because of diversity and lack of harmony in their different constitutions and by-laws. For this reason, and that the organization of our associations may be rendered more compact and their work more effective, we, your committee, earnestly recommend the articles of association for constituent associations, as approved at this meeting of the Federation; and urge the official boards of our several associations and their delegates here present to endeavor by all honorable means to secure the ratification and adoption of the same at their coming annual conventions. We would also recommend that a committee be appointed to revise our articles of federation, in so far as may be necessary to conform to the new articles of association, thereby unifying, strengthening and safeguarding, legally and otherwise, the entire plan of organization. Such committee to have the new plan passed upon by good legal talent and be prepared to report at next meeting of the Federation, or its board of directors, which your committee would suggest be held at Kansas City in January if enough members should be present to constitute a quorum.

By August, 1905, the new constitution and by-laws had been adopted by practically all of the constituent associations. New articles of association for the Federation had been prepared, and it was announced that the Information Bureau, referred to in the re-

port of the secretary of the Federation in November, 1904 (see p. 186), had been incorporated under the laws of Illinois. It was stated that this bureau, made up of the official board of the Federation, would enable the executive committee at any time legally and safely to communicate to the officers and members of the constituent associations all the facts pertaining to cases in which satisfactory adjustment could not be otherwise secured. In this connection, the following statement was made:

Association members in good standing will be thereby fully informed as to who are "regular" and who are not and such a pressure must inevitably result as will carry any reasonable contention. While this proceeding is sometimes absolutely necessary in order to secure adequate protection for our members, it is at the same time an act of simple justice toward those jobbers and the manufacturers who are disposed to deal fairly with the trade.

It was reported in January, 1906, that the organization of the Information Bureau had been completed, so that the Federation was properly fitted to afford the trade better protection than at any time theretofore by furnishing members with the names of manufacturers and jobbers making irregular sales.

The secretary subsequently cautioned members not to do anything that could be construed in the light of restraining trade or preventing parties who were engaged in business from buying goods. He reported that the attorney who had drawn up the articles for the Information Bureau—

stated positively that we must not make any demands for commissions, as that might be construed as blackmail. Neither can we safely demand discontinuance of the shipments, as that would be construed as a direct violation of the antitrust laws. He stated that the proper course to pursue is to assume that the information you give is desired by the wholesalers, they having declared that it is their policy to protect the dealer. Soon after this interview I wrote all secretaries of the constituent associations giving them the benefit of the attorney's service.

In July, 1907, announcement was made that blanks had been sent to all members of the Western association which, when signed and returned to the secretary's office, would entitle the dealer to the information which the Information Bureau had to give out from time to time. It was stated that no member would receive this information unless his request therefor was on file at the secretary's office.

At the Federation meeting in October, 1907, the president expressed the opinion that the new Information Bureau should be one of the inducements for adding membership to the associations and be a great factor in the adjustment of complaints. To secure the maximum benefit of the Information Bureau and the Federation,



he urged dealers to favor their friends and not place their trade with concerns recognized to be in opposition to the rights of the retail dealers. He recommended that the subject of loyalty in all its phases be given special attention at the conventions of the constituent associations. At the convention of the Federation in October, 1908, some doubts were expressed in regard to the legality of installing the Information Bureau, but a resolution was adopted commending its work. Officials of the Federation claim that this was done only for the moral effect it would have, and that the bureau was never put in operation. In October, 1909, it was announced that adverse decisions by the courts had made it inexpedient to put the bureau in operation. It should be noted that this action was taken immediately after the decision in the suit of the Farmers' Elevator Co., of Gowrie, against the Iowa Implement Dealers' Association. (See p. 157.) Although it is claimed that the Information Bureau has never been active, yet the charter was retained.

INFORMATION SUPPLIED BY ASSOCIATION SECRETARIES ON REQUEST OF INDIVIDUAL MEMBERS.—While the suits against the Iowa implement dealers and the Mississippi lumbermen were pending in the courts the dissemination of information regarding the trade policy of individual manufacturers, at least so far as the Western association and the Federation were concerned, seems to have been confined largely to correspondence by the secretary with individual members who desired such information. Correspondence of this sort took place in June, 1909, between the secretary of the Western association and one of the members who had forwarded to the secretary correspondence with a manufacturer who had apparently refused to pay a commission on an irregular sale. The secretary in replying expressed his regret that he could not do anything in the case unless the member was handling the manufacturers' goods in the regular way, as the manufacturer's took the position that they were privileged to sell to anybody, but insisted that commissions were paid upon direct sales wherever they had good dealers carrying their goods in stock. The secretary stated that notice had been given members at several conventions and through correspondence in regard to the policy of this company. In May, 1909, the secretary of the Federation wrote one of the members of the Western association that the Michigan implement dealers' association had "taken the bull by the horns" and were sending out a report in regard to the trade policy of a specified buggy company. The secretary of the Federation expressed the opinion that the Michigan association had thereby laid themselves liable to prosecution, but he thought the probabilities were that they would not have any trouble because publicity would injure the buggy company. The

secretary of the Federation was also secretary of the Western association, and in this letter he went on to advise the member to whom he was writing that complaints had been filed against a concern whose cultivators the secretary thought the member was handling, and in this connection he asked for any information the member might have on this point. He concluded the letter as follows:

I do not write this to discourage you from handling their goods, but simply as a matter of news.

In April, 1910, the Bulletin called the attention of the organized dealers to the fact that in the office of the secretary of the National Federation there was on file a great amount of information concerning the policy of manufacturers and jobbers which it had taken years to collect. It was stated that this information was for the benefit of members of affiliated associations and that prompt attention would be given to inquiries from members in regard to the manufacturers and jobbers from whom they were buying or from whom they contemplated buying. Another item, headed "Information," informed members of the implement and hardware associations in the National Federation that, if they had any business with a specified manufacturing company, whose name was given, they could secure some valuable information regarding that company by writing to the secretary of their respective associations.

Shortly after the decision in the Mississippi Lumbermen's case the secretary of the Western association advised members in a circular letter that the antitrust laws prevented the publication, either by direct or implied statement, of the names of those manufacturers and jobbers who did not fully protect the dealer. He amplified this by stating that such a list of such names could not legally be furnished the members, nor published in the Bulletin, nor could reference be made to the fact that the methods of manufacturers or jobbers were inimical to the interests of the retail dealer. He stated that the instructions of the board of directors were being closely followed, and it was not proposed to take any steps in the association work that was not clearly within the pale of the law. He continued as follows:

We are, however, clearly justified in furnishing you at your request with such information, as we may have at hand concerning specific cases. For instance, you are selling a certain scale, hay press, gasoline engine, line of plow goods, or vehicles, or are dealing with a certain hardware jobber or supply house or contemplate taking on certain new lines and want to be assured that the jobbers or manufacturers are loyal to dealers; you can make request for such information as the association has been able to accumulate, and a copy of the records will be sent to you, and under our rules you are privileged to use your own discretion concerning your business relations with them.

The discretion which the members receiving this information were expected to exercise seems to have been indicated in an editorial published in the Implement Dealers' Bulletin in October, 1910. This editorial read as follows:

Too many implements and vehicles are being sold by manufacturers and jobbers at retail. To be sure, many claim to maintain a good retail price and are willing to pay the margin above wholesale price to some dealer who will take up their line, but if none such can be found they retain it and comfort themselves with the thought that they have done nothing wrong, as they charged the buyer a margin above wholesale price. They seem unwilling to stick to their own calling, the wholesale business; and the only way this practice can ever be stopped is by dealers favoring with their patronage the wholesalers who will afford them full and complete protection.

Organized dealers can get the information needed to enable them to do this by simply writing to their secretaries; if they have not the information at hand they can get it.

Dealers themselves must take up this work; the officials can not do it all. What they need is stronger backing. The influence of ten thousand dealers is greater than that of five thousand.

Even before this time the secretary of the Western association had written a letter to one of the trade papers, from which it appears that although no formal pledge was exacted of members to discontinue purchases from direct-selling concerns, yet a certain pressure was brought to bear upon them by the association to induce them to do so. In this letter, written August 28, 1909, he mentioned the case of a plow company, many of whose dealer-agents belonging to the association had canceled their contracts with the company after the association had held its convention, the matter having been discussed in board meetings at which these dealers were rather taken to task.

Meantime an article was published in the Bulletin in August, 1910, explaining the manner in which the records of that office regarding the trade policy of wholesalers was kept, and urging members to make use of this information. This article read as follows:

In order that our members may form some idea of the manner in which the records of this office so far as they pertain to policy of jobbers and manufacturers are kept, we give out a few quotations:

"Establish a few agencies with dealers, but sell most of their goods direct, with good differential between wholesale and retail price."

"Sell to jobbers, dealers and users, but claim to maintain sufficient differential to protect each branch of the trade."

"Sell direct to users exclusively. Formerly sold to dealers, but changed policy."

"Affords the regular dealers the full measure of protection. Refuses under all conditions to sell any goods at retail."

"Sells direct where it has no agents carrying its goods in stock, but protects agents where it can get them."

"Sells output to dealers, but at same time caters to the trade of liverymen, and on such sales declines to pay dealers commissions."

These records are kept for the benefit of members, and any time a member is in doubt about the policy of a house with whom he is doing business or contemplates buying from, he can get such information as we have at hand by simply asking for it.

For instance, you may be buying tanks from a manufacturer who professes to be protecting the dealer, but who in reality is taking any business which comes his way, or you may receive a letter from some scale company stating that they have a scale at the railroad depot in a neighboring town which was refused and as an inducement for you to take it off of their hands they will make special price, and if you will take the trouble to make inquiry, you can in most cases learn the facts.

This information is for the members, and to make the work of the association most effective they should make use of it. The records are made up from reliable information, the result of the most careful investigation.

#### PRESENT METHODS OF DISSEMINATING INFORMATION AMONG DEALERS.—

A principal aim of the implement dealers' associations at present is to find some means by which the names of manufacturers and wholesalers who are unwilling to confine their trade to regular dealers may be reported to members without incurring legal liability. As shown elsewhere (see pp. 200, 202) the National Federation of Implement & Vehicle Dealers' Associations is affiliated with organizations of retailers in other branches of trade in a federation known as the National Federation of Retail Merchants, which is seeking an amendment to the antitrust laws to make it lawful for the officials of retail trade associations to disseminate information of this character. The amendment desired by the associations would permit them to advise their members freely regarding so-called violations by wholesalers of rules established by the dealers. If this effort is successful, manufacturers and wholesalers whose names are listed will find it difficult or impossible to secure business from dealers loyal to the fundamental principle of the retail associations, namely, "to the retail dealer belongs the retail trade."

Moreover, even now the dealers are not without means of informing themselves of the trade policy of manufacturers and wholesalers with whom they trade. As already explained (see p. 190), any member of any constituent association of the National Federation, upon request to the secretary of the association to which he belongs, can be furnished with information regarding the trade policy of any particular manufacturer or wholesaler. At the annual meeting of the Federation in 1913, an organization of the secretaries of the

various constituent associations was formed to secure greater uniformity in the activities of the several organizations, but it is claimed that this new association has nothing to do with the exchange of information regarding the trade policy of individual manufacturers and wholesalers, although it is conceivable that such an organization might furnish a convenient means of so doing. Information so exchanged among the secretaries would be available to any dealer of any of the federated associations, so far as the secretaries of these associations attempt to furnish such information at the request of a member. Furthermore, the secretary of each association has been instructed to place upon his mailing list the names of the secretaries of all the other associations to receive copies of circulars and documents sent out.

Traveling salesmen of various manufacturers and wholesalers afford a possible means of disseminating information regarding the trade policy of competitors, but this method does not seem to bear any necessary relation to the activity of the dealers' association.

Another source from which dealers might obtain information of this character has been the columns of *The Commercial News*, a trade journal published at Sioux Falls, S. Dak. This journal, which appears to have some circulation among implement, vehicle, and hardware dealers, has maintained a printed list of manufacturers and jobbers alleged to be unfair to dealers, and also a list of those supposed to be loyal.

In 1911 the *Eastern Dealer*, an implement trade paper published at Philadelphia, which was engaged in aggressive opposition to sales by manufacturers to farmers' cooperative stores, printed a list of manufacturers who were alleged to be selling to a cooperative store in Lancaster County, Pa., and quoted two of these manufacturers as declaring that they would continue to do so. According to the paper, the other concerns listed had promised to investigate the situation. It was stated that their names would be retained on the list or removed according to their decision. The paper requested dealers who knew of other lines so sold to send the facts to the paper for publication.

### Section 5. Opposition to mail-order or catalogue houses.

**SALES TO MAIL-ORDER HOUSES BY MANUFACTURERS.**—A determined fight has been made by the organized dealers against mail-order or catalogue houses. In January, 1896, the members of the Western association pledged themselves as an association and as individuals not to patronize or have any dealings with any manufacturer or jobber who sold goods to catalogue houses, and it was decided that every such manufacturer should be reported at least quarterly to

each member by the secretary. The secretary took this matter up by correspondence with various manufacturers, all of whom were reported to have promised cooperation in keeping their goods out of the hands of catalogue houses. It was announced that several concerns had notified their jobbers not to sell any goods to such houses. In April, 1898, a list of manufacturers who had made affidavits that they did not sell to catalogue houses was published in the Implement Dealers' Bulletin, the official paper of the Western association, and in January, 1899, that association authorized the payment of \$10 for the presentation of satisfactory evidence of the sale of goods, directly or indirectly, to any catalogue house by any manufacturer or jobber who sold or sought to sell any part of his goods to regular dealers anywhere. In January, 1900, representatives of the National Association of Agricultural Implement & Vehicle Manufacturers, the Carriage Builders National Association, the Kansas City Implement, Vehicle & Hardware Club, and the Western association held a conference and recommended that manufacturers abstain from selling goods to catalogue houses (see p. 134). Shortly afterwards this resolution was indorsed by the National Association of Agricultural Implement & Vehicle Manufacturers. One of the leading trade papers urged dealers to refuse, unitedly and peremptorily, to handle the goods of manufacturers who sold to catalogue houses. It recommended the formation of a general catalogue house committee to discover such manufacturers and furnish their names to dealers in order that the latter might avoid buying from them. It also advised the dealers to obtain the catalogues of the mail-order houses for the purpose of establishing facts in regard to sales to such houses by different manufacturers and to cooperate with other associations for the suppression of such trade.

The members of other implement dealers' associations besides the Western pledge themselves not to buy from manufacturers or jobbers who supplied goods to catalogue houses. In 1902 action of this kind was taken by the Illinois Implement Dealers' Association, whose members were reported to have also agreed not to buy from wholesale dealers who handled goods made by manufacturers who supplied catalogue houses. One of the objects in forming the National Federation was to bring the influence of all the associations to bear to keep manufacturers from selling to catalogue houses.

In 1904 and 1905 the Implement Dealers' Bulletin reported that several large jobbing houses at Kansas City had announced that they would not sell to catalogue houses.

In the early part of 1907, Judge Carland, of the United States Circuit Court, District of South Dakota, rendered a decision holding that retail dealers had a lawful right to agree among themselves not

to purchase merchandise from wholesalers and jobbers who sold to catalogue houses, and to inform each other as to what wholesalers and jobbers sold to such houses. The court also held that letters sent out by the secretary of the defendant association, under instructions of the board of directors, requesting the cooperation of various wholesalers and jobbers, urging them to refuse to sell to mail-order houses and confine their trade to the "legitimate" retail dealer, did not involve undue restriction on the right of the catalogue house to carry on its business free from intimidation or coercion, because "it is not unfair competition, intimidation, or coercion for a combination to interfere with this right by persuasion or any peaceable means." (*Montgomery Ward & Co. v. South Dakota Retail Merchants' and Hardware Dealers' Association and others*, 150 Fed. Rep., 413.)

This decision apparently led the directors of the Western association to undertake arrangements for the appointment of a joint committee of dealers and wholesalers to cooperate in plans to meet catalogue-house competition. Furthermore, to ascertain the identity of factories which were supplying catalogue houses as well as selling to dealers, the secretary of the Federation undertook the compilation of a list of all catalogue houses that sold any class of goods likely to be handled by members of the constituent associations of the Federation. The secretaries of the latter organizations were appealed to for assistance as well as the members of the National Association of Agricultural Implement & Vehicle Manufacturers.

In October, 1908, the dealers belonging to the Federation requested the National Association of Agricultural Implement & Vehicle Manufacturers to request its members to absolutely discontinue the sale of goods to catalogue houses, and it was suggested that such sales should disqualify any manufacturer for membership in the association. Moreover, an editorial in the *Implement Dealers' Bulletin* shortly afterwards pointed out that dealers ought to bestow their patronage where the dealer was recognized as a necessary link in the chain of distribution.

The policy of the National Federation at that time was stated to be one of persuasion. It was asserted that the dealers wanted the National Association of Agricultural Implement & Vehicle Manufacturers, most of whose members confined their sales to dealers, to show the minority the injustice of selling to catalogue houses while selling to dealers. While no systematic campaign appears to have been undertaken by any of the manufacturers' associations at this time, it seems to have become an unwritten qualification for membership that the members should confine their sales to retailers.

Until 1908 the active opposition of the dealers' associations toward mail-order houses was largely confined to efforts to prevent the enactment of parcel-post legislation and to shut off the sources from

which the latter concerns were supplied with goods. As a part of the earlier plans to induce manufacturers not to sell to mail-order houses by the withdrawal of the dealers' patronage, it was necessary to advise the members of the dealers' association as to the names of such manufacturers, and in this connection the same difficulty presented itself as to the use of methods that were safely within the law as in reporting the names of manufacturers selling directly or to irregular dealers. (See p. 185.) Less hesitation was felt in regard to the circulation of the names of those concerns whose avowed policy was to sell directly. After it became evident that the Information Bureau of the National Federation could not safely disseminate among the dealers generally the names of manufacturers who persisted in selling a part or the whole of their product to catalogue houses, efforts were made to devise some means by which the dealers could be advised more directly and definitely of the names of these manufacturers and wholesalers. In a general letter to members in June, 1910, the secretary of the Western association called attention to the fact that the names of such jobbers and manufacturers could not be listed or published, but that members could obtain information by asking the secretary for it. Most manufacturers seem to have been in sympathy with the efforts of the dealers to curtail the sales of the mail-order houses, but some manufacturers furnished them with goods.

In January, 1910, the manufacturers' and dealers' associations became alarmed over the announcement that one of the large Chicago mail-order houses had purchased a well-known, established factory making plows and other farm implements, and unsuccessful protests were made to prevent the exhibit of its products at the Illinois State Fair, but it is claimed that greater success attended similar efforts to prevent the exhibition of its products at fairs in Iowa and Minnesota.

At the conventions of the various associations of implement dealers during the season of 1912-13 indorsement was given to a bill introduced in Congress making it compulsory for manufactured articles to be branded with the name of the maker. At these conventions special reference was made to the protection which the bill was calculated to afford retail dealers against the competition of mail-order houses by revealing the name of manufacturers who sold goods to mail-order houses. In its original form the bill did not meet with the approval of the manufacturers, largely because it allowed no exception to be made of parts sold by one manufacturer to another for assembling to make a complete machine.

During the last two or three years it has been customary for the various State and interstate associations of implement dealers to con-



duct a "question box" at their annual conventions. Questions submitted by individual members are read from the platform by one of the members selected to conduct the discussion which ensues. One of the questions presented for consideration of the Wisconsin Retail Implement & Vehicle Dealers' Association, at its annual convention held at Milwaukee, December 15-17, 1914, was:

What attitude has the Wisconsin dealer taken towards a manufacturer who sells mail order houses and the dealers? We refer to the Hercules Engine Co. of Evansville, Ind., an exhibitor.

It was understood by the dealers present that the Hercules company was selling gasoline engines to one of the large mail-order houses. It had arranged to make an exhibit of its products at the dealers' convention, notwithstanding the fact that the dealers expected all exhibitors to display a sign provided by the association to the effect that they did not sell to catalogue houses nor direct to the consumer.

A representative of the Hercules company was invited to appear before the dealers to explain the policy of his company. He stated that the company was making gasoline engines for one of the largest mail-order houses in the United States, but that this engine was given a different name and was built along different lines from that sold to dealers, although both engines were of the same quality. He pointed out the advantage to the company in selling a large number of engines for cash to the mail-order house. He declared that he had instructed the company's traveling men to explain to every dealer that the company was engaged in selling to the mail-order house.

Following this explanation he answered the dealers' questions about his company and its trade. After his withdrawal his statement was discussed, and the secretary spoke as follows:

\* \* \* I have never bought a dollar's worth of goods from any manufacturer that I knew was selling either direct to the trade or to a catalogue house, and I never will. We have a great deal of difficulty in finding out who these people are, and you all have that trouble. They all like to misrepresent one another at times, and the only fair and right and honest way to find out is to bring the gentlemen before such an intelligent body of men, and when he tells you right out and out that they manufacture and sell to the catalogue house, not to buy a dollar's worth of goods from the Hercules Buggy Co. and the Hercules Engine Co., and I would go farther than that as an individual, I would try to keep anyone else from buying from the manufacturer that sells to the mail order people, because we have nothing in common with them. They advertise in their catalogue that the dealer is robbing the consumer, and they tell it in so many plain words in their catalogue, and they never lose an opportunity to get a swipe at a dealer because they say that our price is so much and the dealer's price is so much and he is robbing you all. They

will print an article of that kind to deceive the consumer. It is my duty as an honest implement dealer to do all I can to prevent my brother dealer from buying from them.

Later, he again addressed the dealers as follows:

Your secretary is going to have this published in the trade papers verbatim. We want every dealer in the United States to know the truth, what is the reputation and the business practice of this company and just exactly what they are doing, then it is up to the individual to decide whether he will protect a loyal retail trade.

I would move you that the matter be referred to the resolutions committee, with instructions to bring in a resolution stating plainly what the attitude of the organized dealer should be in regard to the sale of goods manufactured by the Hercules Gas Engine Co.

In connection with this matter the association adopted the following resolution:

The practice of certain manufacturers who sell their product to catalogue and mail order houses and at the same time solicit the trade of the regular retail dealer, cannot be too strongly condemned. Even if they do make a cheaper and inferior article for the catalogue house trade and brand it under a different name, we deem it a bad business policy for the regular dealer to patronize such a manufacturer, and the dealer who desires to protect his customers as well as himself should handle only first-class goods manufactured by those who are loyal to the retail trade. The catalogue and mail order houses contribute nothing toward the advancement and development of the rural communities. They pay no taxes, render no service, nor do they help to carry the burdens usually borne by the dealers and consumers in the small towns and agricultural sections of our state. And if we would maintain our schools, churches and public institutions of all kinds, and develop and expand the resources of our several localities, we must see to it that we protect not only our own interests, but those of our customers, by offering to our trade articles of real worth and merit, and at a price consistent with fair and reasonable profits, and manufactured by those whom we know to be fair and honest in their dealings with the regular trade.

**PARCEL-POST LEGISLATION.**—The establishment of a parcel-post system was opposed on the ground that it would aid the catalogue houses and be of little benefit to anyone else. The various dealers' associations inaugurated a vigorous campaign of opposition to the enactment of such legislation, and petitions of protest were circulated. It was claimed that the efforts of the dealers led to a change in the attitude of many manufacturers. In 1903 it was reported that officers of the various constituent associations of the Federation had addressed letters to Senators and Representatives in Congress from their respective States, protesting against the adoption of a proposed

amendment to the post-office appropriation bill to provide for an experimental parcel post and calling attention to petitions that had previously been forwarded to them. Manufacturers and jobbers were urged to aid the dealers. A little later the secretary of the Federation, in a general letter to secretaries of the various constituent associations, claimed that some time previously, through the efforts of the dealers' Federation, the manufacturers belonging to the National Association of Agricultural Implement & Vehicle Manufacturers had adopted a resolution instructing the legislative committee of that association to do everything they could in opposition to a parcel-post bill, although a resolution indorsing the bill had previously been prepared for adoption. Members of the constituent associations of the Federation were urged to renewed efforts to defeat the bill by personal interviews or correspondence with their Members of Congress, and it was reported that the manufacturers belonging to the National Association of Agricultural Implement & Vehicle Manufacturers had adopted a similar plan.

During this period the implement dealers' association kept up a constant agitation against parcel-post legislation, and it was reported that the officials of the implement dealers' Federation were working in harmony with the National Hardware Dealers' Association and other dealers' organizations in outlining plans for placing the dealers' side of the case before Congress.

A new line of attack on parcel-post legislation was proposed in the early part of 1908, namely, an attempt to cultivate a sentiment among the farmers opposing such legislation. A plan of this sort had been suggested ten years before by members of the Nebraska & Western Iowa Implement Dealers' Association, who proposed arrangements for meetings of the farmers to explain the damage done to local communities by trading with catalogue houses. Little progress, however, seems to have been made along this line.

In February, 1909, the secretary of the Federation wrote the secretaries of the various constituent associations that the outlook in regard to parcel-post matters was not favorable, and he admonished the secretaries to see that their Senators were "bombarded" with protests at once. He also requested the assistance of the Kansas City implement jobbers' club, asking that its members telegraph their Senators protesting the enactment of a resolution for an experimental parcel post in four counties.

Early in 1910 a committee representing various trade organizations, including those of the retail implement and vehicle dealers, appeared before a subcommittee of the Committee on Post Office and Post Roads of the United States House of Representatives to oppose the various parcel-post bills that had been referred to that

committee. This committee did not confine its efforts to the members of the Postal Committee, but lost no opportunity to explain the dealers' position to other Congressmen. It was thought that, even if the Postal Committee should make a favorable report, enough uncertainty existed in the minds of Congressmen regarding the advisability of enacting such legislation to prevent any action at that session of Congress. In October, 1910, the Federation gave instructions that whenever it became necessary a representative should be sent to Washington to look after the interests of the implement dealers.

Early in 1911 it was announced that an organization, known as the American League of Associations, had been formed to guide the organizations of manufacturers, jobbers, and dealers in various lines and direct the campaign against parcel-post legislation. In February, 1911, the secretary of the Federation of implement dealers' associations in a general letter to the secretary of each of the constituent associations stated that the league had prepared a petition protesting against parcel-post legislation, that should be signed by every merchant and professional man in the United States. He insisted that the implement dealers' Federation must do its part in the distribution of this petition.

In the latter part of 1911 a general federation of national organizations of retailers in various lines was organized at Chicago for the purpose of stopping legislation inimical to retail merchants and to promote legislation for their advancement. The project for this association appears to have originated with the secretary of the Michigan Retail Lumber Dealers' Association, who was subsequently selected by a committee of the Lumber Secretaries' Bureau to develop the idea by correspondence with different interests in the United States. Some correspondence passed with the secretary of the implement dealers' National Federation, and the latter also discussed the project with the secretary of the Southwestern Lumber Dealers' Association. It was pointed out that if such a federation became powerful enough it could, among other things, prevent the enactment of a parcel-post bill. It could also work for a modification of the Sherman Antitrust Law to allow the retail merchants to maintain their organizations in order to exchange information regarding the source of catalogue-house competition. The meeting at which this new federation, known as the National Federation of Retail Merchants, was formed, was attended by representatives of the implement dealers' National Federation. The executive committee of the latter Federation was authorized to take such action as it deemed best in reference to becoming affiliated with the new federation, of which the secretary of the implement dealers' Federation was elected a director.

During 1911 and 1912 the secretary of the implement dealers' Federation issued several letters to the secretaries of the constituent associations relative to the matter of parcel-post legislation. A representative of the Federation also appeared before the Senate Committee on Post Offices and Post Roads to oppose such legislation, and it was announced that the secretary of the American League of Associations had established headquarters in Washington, where he was working early and late in daily communication with all the associations of dealers that were sending him any assistance.

In March, 1912, the prospect for the enactment of parcel-post legislation apparently became so certain that the secretary of the implement dealers' Federation, and also the secretary of the National Federation of Retail Merchants, sent out an appeal to those opposed to such legislation to urge their representatives at Washington to do everything in their power to secure the appointment of a commission to make a thorough investigation of the subject before any legislation was enacted.

Members of the constituent associations of the implement dealers' Federation were urged to arrange at once with their local newspapers to print articles that had been furnished them for the purpose of building up a sentiment among the readers of country newspapers against the parcel post. It was pointed out to the dealers that the local newspaper editor would be glad to publish one of these articles each week at the dealers' request, especially if the latter were advertising in the paper. Members of the implement dealers' Federation and of the National Implement & Vehicle Association were urged to write their Congressmen to indorse the commission plan.

The efforts of the dealers to prevent the enactment of parcel-post legislation proved futile, but the Implement Dealers' Bulletin, in referring to the law establishing a zone system, stated that it was the least injurious to the retail merchants of any that had been proposed. Dealers were admonished, however, to keep up their organizations to try to prevent any changes that would be still more injurious. Subsequently the National Federation of Retail Merchants adopted a resolution favoring a revision of the postal laws so that the carrying charge for the different classes of mail should be sufficient to maintain each department without financial assistance from any other source. This movement had already been indorsed at a meeting of the implement dealers' National Federation in connection with a recommendation to the secretary of the Federation to use every effort, both directly and through other organizations, to secure the enactment of a 1-cent letter postage law. Arrangements were also made for each member of the various implement associations to receive literature on the subject direct from the National One Cent

Letter Postage Association. This campaign was intended to bring about increased charges on parcel-post matter.

In the meantime the National Federation of Retail Merchants had held a meeting at St. Louis in November, 1912, at which resolutions were adopted, demanding legislation by Congress to permit cooperation among retailers to protect against outside competition, and pledging the support of the Federation to all efforts in this direction. Another meeting was held in December, 1913, and shortly afterwards representatives of the National Federation of Retail Merchants visited Washington to present arguments in favor of legislation allowing retailers to join forces for the purpose of obtaining and furnishing each other with information regarding the acts and selling policies of wholesalers. A representative of this organization is reported to have disclaimed any intention on the part of the dealers to use this information to institute boycotts.

LEGISLATION AGAINST MISREPRESENTATION IN ADVERTISING.—It is claimed by dealers, trade papers, and manufacturers who sell through dealers that advertising matter of mail-order houses is frequently misleading in representations as to the character and quality of goods. In October, 1911, the secretary of the implement dealers' Federation called attention to an agitation that had been begun to secure the enactment of laws prohibiting misrepresentation in advertisements, and in this connection he pointed out that, as such a law would benefit retailers in all lines in their struggle with mail-order houses, it seemed an opportune time for the Federation to take steps to give an impetus to the movement. At this meeting of the delegates of the various implement dealers' associations the secretary of the American League of Associations explained a bill that had been introduced in Congress at the request of a retail merchants' association in Iowa. The delegates indorsed the movement and urged action at the coming conventions of the constituent associations.

The possibilities of legislation to aid dealers in competition with mail-order houses had been called to the attention of the secretary of the implement dealers' National Federation by the secretary of the Southwestern Lumber Dealers' Association in outlining the field for the proposed general federation of retailers. At the meeting at which this general federation was organized the movement for a pure-advertising law aroused considerable interest, and it was reported that the opinion was expressed that the passage of such a law would deprive the mail-order interests of "one of their strongest trade pullers."

The movement was indorsed at the conventions of the various implement dealers' associations, and also aroused the interest of the secretary of the National Implement & Vehicle Association, who issued a bulletin to ascertain the opinion of the members as to whether

the association as an organization should lend its support to the passage of such a law in the several States or as a National measure. In April, 1912, it was reported that, in compliance with the request of the implement dealers' National Federation, the National Implement & Vehicle Association was using its best efforts to build up sentiment in favor of such a law. The matter was discussed at the conference between representatives of the manufacturers and the dealers at Kansas City in January, 1912, and also in October, 1912, by the delegates to the annual meeting of the implement dealers' National Federation. At the latter meeting resolutions were again adopted favoring such legislation, urging prompt action at the coming conventions of the constituent associations and other active measures to secure the enactment of this law and others, including that relating to the branding of goods with the maker's name, and also to a peddler's license law. Furthermore, the National Federation of Retail Merchants shortly afterwards adopted a resolution urging the officers and directors of all retail associations to take immediate steps to secure the passage of an honest-advertising law in the several States to pave the way for similar legislation by Congress.

FARM-PAPER ADVERTISING.—Another method proposed by the implement dealers' associations to curtail the advertising facilities of mail-order houses has been to persuade publishers of various papers to exclude the advertisements of catalogue houses from their columns. In 1899 an article published in the Implement Dealers' Bulletin advised the dealers to see if they could not make their local newspaper men see the effect of mail-order trading upon local merchants in the same light in which it was viewed by the latter, and in this way it was thought that the effort to exclude such advertising would be successful. Subsequently several of the implement trade papers announced the adoption of a policy of refusing advertisements from manufacturers who were supplying goods to catalogue houses, and the secretary of the Federation in writing to the editor of one of these papers stated that he had had considerable correspondence in regard to this particular matter and hoped that it would result in the exclusion of this kind of advertising. Furthermore, in October, 1909, the delegates to the implement dealers' National Federation held a conference with representatives of the trade press to devise plans to furnish the papers pledged to protect the dealers with information in regard to concerns who sold directly to users and to catalogue houses, while at the same time soliciting the trade of dealers. While the representatives of the papers expressed sympathy with the objects sought, no formal action appears to have been taken.

An interesting phase of the situation has developed from an effort by the dealers to persuade manufacturers selling through the dealer

to refrain from advertising in farm papers that also publish advertisements of catalogue houses. Early in 1910 the secretary of the Federation in writing to the various other secretaries stated that information had been received that a certain farm paper, the name of which was given, was writing to some of the officers of the dealers' associations, asking if the dealers would not encourage manufacturers to advertise more liberally in farm papers. In this connection, the secretary of the Federation advised each secretary that if the latter should receive one of these letters he should in his reply state that, since, as a rule, the patronage of farm papers seemed to be principally that of mail-order houses, the manufacturers felt that they owed it to the regular dealer to refrain from advertising in such a medium.

The matter was brought up in January, 1911, at a conference between representatives of the dealers' associations and National Implement & Vehicle Association. The manufacturers were asked if something could not be done to obviate the practice by which dealers, and manufacturers marketing their product through dealers, advertised in papers that carried advertising for catalogue houses and direct-selling concerns—advertising that worked against the interest of the local merchant. There was some discussion of the subject, but no formal action was taken. A few weeks later the executive committee of the National Implement & Vehicle Association decided to ascertain from the members as to articles or editorials appearing in farm papers detrimental to the interest of the members of the association and then to take the matter up further with members advertising in such papers. In the discussion by members of the committee it was brought out that some of the editorials in a number of the farm papers amounted to a strong recommendation to their readers to patronize the catalogue houses and direct-selling manufacturers. Any desire to dictate or suggest the policy of such papers in receiving advertising was disclaimed, but it was thought that the implement and vehicle manufacturers whose advertising was alleged to furnish the farm papers with one of their largest sources of revenue were entitled to greater consideration at the hands of the papers. It was stated that the purpose of canvassing the manufacturers on this subject was not to protest as an association, but to gather and compile data for the use of members as purchasers of advertising space. The various dealers' associations devoted considerable attention to the matter during the convention season of 1911-12, and the difficulty of determining what papers should be used as advertising mediums was discussed at conferences between the manufacturers and dealers. The secretary of the National Implement & Vehicle Association requested that he be furnished with the names of papers containing edi-



torials objectionable from this standpoint. In March, 1912, the secretary of the Federation advised the secretaries of the several constituent associations that the Federation's agitation was bearing fruit, and he asked for suggestions as to how to secure the information to make the work effective. Writing the secretary of the National Implement & Vehicle Association shortly afterwards, he stated that a plan was being considered of subscribing to a large number of those papers and distributing them among prominent members to be read and clipped. He wrote that he considered that much good would result from the agitation.

Further evidence that the campaign was producing results was presented in 1912 in a letter of the secretary and general manager of the National Implement & Vehicle Association to the secretary of the dealers' Federation, in which he said that he had received a statement from one of the companies belonging to the association, saying that it had taken up the matter of favoring catalogue-house methods, with the entire list of 70 papers in which it advertised and had received a declaration from each declaring that editorial indorsement would not be given to mail-order houses.

In August, 1913, the Implement Dealers' Bulletin called attention to a convention of the publishers of country newspapers that had just been held at Chicago, at which the subject of mail-order advertising was one of the principal topics discussed. The Bulletin stated that it had been the consensus of opinion that all such advertising should be eliminated, although a few of the delegates took the position that they could not refuse the mail-order contracts unless the merchants gave them more patronage. Possibly, as the result of this attitude on the part of some of the publishers, the delegates at the annual meeting of the implement dealers' National Federation went on record in favor of the manufacturers giving more attention to local papers in placing advertising and less to farm papers, after the secretary of the Federation had compared the relative merits of the two methods of advertising, asserting that practically every farm paper advocates, either directly or by implication, patronage of mail-order houses, while the local country newspaper helps to build up the trade of the home merchant. He declared that it was a subject that concerns the business success of manufacturer, jobber, and dealer alike. The subject was considered at a conference between representatives of the dealers' Federation and of the National Implement & Vehicle Association in October, 1913, with a view to suggesting to manufacturers the advisability of trying out local newspapers. The Illinois implement-dealers' association adopted a resolution to the effect that manufacturers selling to dealers should not advertise in farm papers which advocate mail-order buying, and one of the local clubs of dealers in Kansas appointed a committee to

confer with the newspapers in the county to devise ways and means for increasing the advertising in home papers and eliminating some of the advertisements in the farm papers. Furthermore, the members of the Western association adopted resolutions expressing the belief that a more liberal use of the local county papers by the manufacturers in advertising their goods would be of greater benefit to the dealers generally than the use of farm papers and would eliminate much of the direct sales' controversy.

The position taken by the National Federation of Implement & Vehicle Dealers' Associations and the National Implement & Vehicle Association against the indorsement by farm papers of mail-order houses and mail-order buying seems to have had some success, for in December, 1914, a resolution on the subject was adopted by the Agricultural Publishers' Association, composed of about 40 of the leading farm papers. This resolution read as follows:

*Resolved,* That it is the sense of the members of the Agricultural Publishers' Association that the farm papers of America do exclude from their columns copy attacking retail or wholesale dealers, assailing advertisers selling either direct or through dealers, or reflecting in any unfair manner upon a competitor in business.

CHAUTAUQUA HOME-TRADE TALKS.—Another plan designed to curtail the competition of mail-order houses had meantime been put on foot by the National Federation of Retail Merchants. The idea was to build up sentiment in favor of home trading by means of addresses at Chautauqua meetings, advocating the preservation of the retail business for the home merchants. In July, 1913, the Implement Dealers' Bulletin indorsed the plan and announced that the movement would be given all the encouragement that implement and hardware associations were able to wield. In October, 1913, the delegates to the annual meeting of the implement dealers' Federation voted to cooperate with the National Federation of Retail Merchants in this matter. At the meeting of the Western association in January, 1914, the members adopted resolutions pledging themselves to assist in securing as large an attendance as possible to hear the speakers on this subject and instructing the secretary of the association to cooperate with the Chautauqua bureaus in keeping members of the association informed concerning the dates of these lectures.

## CHAPTER VII.

### PREVENTION OF PRICE CUTTING AMONG COMPETING DEALERS.

#### Section 1. Introduction.

In addition to the prevention of price cutting, by suppressing the competition of irregular dealers and direct sellers, the dealers' associations are concerned with the maintenance of profitable prices among the regular dealers themselves.

Manufacturers and other wholesalers are opposed to selling to dealers who are habitual price cutters. They desire that dealers shall make a profit in order that the latter may be better able to meet their obligations. Another motive of the manufacturers and wholesalers, apparently, in helping to keep up retail prices is that they may thereby be able to charge higher prices to the dealers.

#### Section 2. Resale price maintenance.

The dissatisfaction of the dealers with conditions in the binder trade in the later eighties and early nineties (see p. 15) led the dealers to request manufacturers and wholesalers to establish and maintain uniform prices. In January, 1891, the members of the Western association adopted a resolution expressing the sense of the convention that the manufacturer should cancel the contract of any retail dealer who was found to be cutting prices during the season. Its members sought the cooperation of the Kansas City jobbers. These efforts caused a memorial to be addressed to the various harvesting-machine companies by their representatives at Kansas City, one of the matters presented being the alleged necessity of establishing and maintaining uniform prices. This memorial read in part as follows:

It is apparent to all of us that prices have been greatly demoralized by reports circulated by unscrupulous farmers, canvassers and local dealers, whose sole object has been to profit at the expense of the manufacturers, and we now pray that you follow the example of the heavier manufacturers and establish a uniform price, both retail and net wholesale, on all harvesting machines, to be based on Missouri river freights for the territory covered by our respective agencies, to be maintained during the entire season of 1892.

Although the contracts of some of the binder manufacturers contained a provision requiring dealers to maintain retail prices fixed by the manufacturers, the pressure of competition among the latter seems to have been too strong for the strict enforcement of a provision of this sort.

At the annual meeting of the dealers' Federation in 1901, a year before the International Harvester Co. was organized, a resolution was adopted favoring the adoption of uniform retail prices by all the manufacturers of harvesting machinery and that local agents be required to maintain these prices.

In 1904, the Federation again requested the various harvester manufacturers to establish and maintain a uniform minimum retail price for each territory. The International Harvester Co. replied that it would insist upon compliance with clause 5 in its agency contracts, under which the agent agreed to sell all machines or property received under the contract at such prices and on such terms as might be fixed in writing by the International Harvester Co. After 1905, however, this clause of the contract was omitted.<sup>1</sup>

Within recent years manufacturers of farm machinery have largely discontinued the practice of fixing retail prices, although some companies have not yet done so. List prices, from which the dealers receive large discounts, are printed in the agency contracts of various wholesalers, notably those handling plows and tillage implements. These list prices are sometimes intended to serve as a guide to the retail dealers in making their prices. (See p. 43.)

Implement associations have been more active in pushing the cost-educational movement (see pp. 218-243) than any other plan of retail-price maintenance. In January, 1915, however, the Western association not only indorsed the Stevens bill pending in Congress, but also the principle that the manufacturer, for his own protection and that of dealers, should have the right to set resale prices.

### Section 3. Price agreements among dealers.

Most of the early State and interstate associations of dealers that were formed recognized the difficulty of getting its members to adopt and adhere to fixed retail-price schedules. A principal objection to such efforts lay in the practical difficulty of fixing a uniform price on farm machines of different makes, sizes, and specifications, and securing the observance of such prices among dealers scattered over a wide territory. Moreover, there was the danger of conflict with the anti-

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<sup>1</sup> Report of the Commissioner of Corporations on the International Harvester Co., pp. 310-315.

trust laws. Most of these associations urged their members to observe profitable prices and not to cut them, the practice of price cutting to secure trade being referred to as an "unwise and short sighted policy."

In a report by a trade paper of the proceedings at the annual convention of the Western association in January, 1893, it was stated:

Towards the close of the convention \* \* \* [one member of the association] struck the keynote in plans for preventing demoralization in the retail trade when he told of the agreement he had entered into with the dealers in his town, fixing a retail price on all the goods they sold.

In January, 1894, the harvester committee of the Western association reported that the managers of several of the harvesting-machine companies recommended that "the retail implement dealers should establish a uniform retail price among themselves."

The adoption of a schedule of prices below which dealers agreed not to sell seemed to assure a larger profit to all. But when such an agreement was entered into the dealer who cut prices had a great advantage over the dealer who attempted to hold to the agreed prices. Hence, they generally proved a failure because no practicable means could be found to enforce the agreement. Several instances have been found where price agreements have been entered into by dealers in local competition with each other. Most of these are of an early date, but others are more recent.

In 1899 dealers in Lancaster County, Nebr., maintained an agreed schedule of uniform minimum prices. A year or two later the plan was extended to other dealers in southern Nebraska, the South Platte association being formed. For several years the latter association attempted to maintain a list of minimum retail prices that had been prepared by its president, a dealer in Lancaster County. In 1904 it was reported that the plan was working well, but these efforts are said to have led to the collapse of the association a few years later.

In September, 1903, the Implement Dealers' Bulletin stated that the subject of prices usually occupied some of the time at each meeting of a local organization that had been formed among dealers in northeastern Kansas. It was stated, however, that no ironclad agreements were made, and hence no penalties were needed. During 1903 dealers in Marshall and Kittson Counties, Minn., agreed upon a price list for binders, mowers, and rakes, and in 1904 two dealers at Warren, Minn., signed a similar agreement. No information is available to indicate the extent to which these lists were adhered to. Later, dealers in the vicinity of Olivia, Minn., and others around Devil's Lake, N. Dak., adopted price lists, which, it is said, were not closely followed.

In April, 1904, an association was formed among dealers in Jackson County, Mich. Later this association adopted a resolution requesting all members to add not less than 25 per cent to the cost price to make a selling price.

The Fargo District Implement Dealers' Association, consisting of some 40 dealers, organized in May, 1904, to better conditions in the territory about Fargo, N. Dak., adopted a schedule of minimum percentages of profit on the cost of goods sold. On drills not less than 20 per cent of the cost was to be added to the cost of the goods plus freight; on gang plows and harrows, 15 per cent; on binders, the International schedule was to be followed, while mowers were to be sold at \$45 and \$48, according to size; on gasoline engines, rakes, and buggies, at least 25 per cent; while on twine, not less than 2 cents net per pound was to be added to the cost. It is claimed that these rules were not binding and that they were not closely observed.

An association organized at Bismarck, N. Dak., in March, 1904, known as the Missouri Slope Retail Implement Dealers' Association, is said to have included dealers in two-thirds of North Dakota. An important feature of the work of this association was the adoption of retail price lists in 1907 and 1909. This association appears to have held no meetings after 1909. An organization composed of four implement dealers at Dickinson, N. Dak., did not use the price list furnished by the Missouri Slope Retail Implement Dealers' Association, which was regarded as too low for that territory, but agreed upon a list of their own. A copy of this list was hung in the store of each member and was adhered to fairly closely in 1911, according to the dealers, though there was no penalty for failure to do so.

In 1908, and again in 1909, a number of dealers in the vicinity of Grafton, N. Dak., met and adopted a list of retail prices, although it is stated that the dealers were not obliged to hold to these prices. In February, 1910, members of an organization formed at Crookston, Minn., composed of dealers in two adjoining counties, agreed upon a retail price list, copies of which were distributed among the dealers. It is stated that these prices were fairly well maintained. A local club of dealers in Brown County, S. Dak., is also reported to have made an agreement on prices.

Doubtless an exhaustive inquiry into the extent to which price agreements have been entered into among local dealers would disclose instances in addition to those cited above. Enough has been said to show that this method of price maintenance has not been unknown to the retail implement trade.

The relation of local clubs to price agreements is discussed generally in the following section, while further references thereto may be found in connection with the cost educational propaganda (see p. 218).

#### Section 4. Exchange of information through local clubs.

At the annual convention of the Western association in January, 1893, the president stated that one of the greatest evils that the dealers had to contend with was the cutting of prices among themselves. In this connection, he made the following suggestions:

Maintain your prices. Let us be honest in this, and let us transmit this feeling to each of our competitors. By meeting here, becoming acquainted, and talking these things over, will have a tendency to make us better friends and we will think kindlier of our competitors. We will be very much more apt to maintain prices ourselves, besides we shall not hear so much of our neighbor cutting prices. The result will be that the implement business will be pleasanter and appreciably more profitable.

At the convention of the Western association held the following year (1894) one of the dealers present at the convention urged that dealers should cultivate a more friendly feeling among themselves, but it was not until two years later that the association adopted a resolution to the effect that—

We believe that local organization is now the paramount object to be attained and that we commend it to the wise consideration of all implement and vehicle dealers.

In March, 1896, the Implement Dealers' Bulletin stated that the board of directors of the Western association were very anxious to have dealers carry out the resolution that had been adopted favoring local organization. It had already been pointed out (see p. 16) that it was not the province of the Western association to regulate prices, but it had also been asserted that the elimination of price cutting was an important benefit of local organizations. In this connection, an editorial in the Implement Dealers' Bulletin in September, 1899, stated:

This association has never tried to control the prices at which dealers should sell their goods, believing that all efforts in that direction would be in vain; but it certainly can be of some service to its members in such cases by exerting a friendly influence over those who persist in doing business for glory and not for profit, and any such influence it can wield to stop a war on prices that yields absolutely no profits to those who engage in it, should be exerted. The association has already accomplished much good in this direction among its members by cultivating a more friendly feeling among them. \* \* \* We do not advocate exorbitant prices but a fair margin you must have or you can not continue in business very long.

During these years, however, many dealers continued to cut prices, and in September, 1901, the Implement Dealers' Bulletin asserted that the binder business was thoroughly demoralized and that the

price cutting had been done by the manufacturers. The Bulletin went on to say:

They are the ones who went to their agents and said, "Here, we want this business and we want you to get it regardless of price, and at settlement time you will be rewarded amply for your trouble."

This situation apparently led to the request to the harvester manufacturers to use their influence to maintain retail prices. (See p. —.)

Price cutting among retailers was discussed in letters published in the Implement Dealers' Bulletin during 1902. The remedy proposed was to "sell at fair margins and quit our strife and jealousies among ourselves."

In February, 1903, the Bulletin published a letter from one of the members of the Western association calling attention to the value of personal acquaintance among competing dealers. He asked the following question:

Is it any wonder our customers "work" us, when we consider that most of us don't see our competitor down street once a month?

He expressed the opinion that the association meetings were of some benefit in this way, but continued as follows:

But they don't get down to the sore spot. Nothing ever will do that except personal acquaintance, and the very bigness of our convention meetings makes it practically impossible to have much more than a nod or a hand shake with our competitors while there. \* \* \*

Fact is we've got to take this matter into our own hands, in a local way, if we are to enjoy the full benefit of trade organization. \* \* \* Suppose we organize a social club among the dealers in our line, in each county or section of two or three counties. We can have our regular officers, constitutions, by-laws, dues, etc. Once a month will be often enough to meet. If there are six good towns in our territory we will meet in first one town and then another, until we cover all six, and then begin over again. Let the dealers in the town where we're going to meet next, act as a committee on entertainment. Have a good time and plenty of cigars, and talk over business propositions while we smoke. Foot the bill out of the treasury, or let each member pay for his own plate. Once in a while take the ladies, acquaintance among them will do us a lot of good. It will be more trouble for us to get together than it is for the jobbers club, but the result will be just as satisfactory and as profitable in the end. Any way we've got to do something, and if somebody doesn't suggest a better plan, let's try this.

This letter was followed by another published in the Bulletin in May, 1903, on the subject of local associations as a remedy for price cutting. This letter read as follows:

The large membership in the Western Retail Implement and Vehicle Dealers' Association is of itself sufficient evidence, that



it pays the eligible retailer to be a part of such organization. The benefits of such membership are many and substantial, but I wish to refer to a single benefit that in itself repays many of us annually for the expense of membership and attendance at our Kansas City convention. I refer to the price cutting evil. While this has perhaps not been very generally discussed in our sessions the past two or three years, it is so generally discussed among the dealers in relating business experiences, and the folly of same so unanimously admitted, that we return to our places of business fully determined to stand for a reasonable profit. In fact our backbones are stiffened up for several weeks, and perhaps if our conventions occurred three or four times a year, the stiff backbone might become chronic.

Right here is where the local association meeting once a month would make us some money. Let the big associations work together to combat the general evils that require large numbers and wide influence to correct, but the local association will do much toward "keeping us good" in this particular.

Often what we need most to maintain a fair profit is a better feeling toward our competitors. Some of us know, and perhaps like, every man in our town better than we do our competitor, and in no way can a better acquaintance and feeling for him be brought about than through the formation of a local association, where we can meet and become acquainted, exchange experiences profitably and talk in reasonable confidence.

It enlarges our views to discuss business matters frankly with our competitor. He is in a legitimate business to make money; we can't have all the business, but let us make a fair profit on that we do have, and that we can't get let him have on the same basis and stand together to keep the business on a business plane.

This was followed by an editorial on the subject of "Local clubs" in the Bulletin for September, 1903, which read in part as follows:

There is no question but what the organization of local clubs will help to solve the price cutting evil and place the implement and vehicle business upon a much better and more satisfactory basis, that is, if they are conducted along proper lines. Many dealers shrink from giving any encouragement to a movement of this kind because it usually carries with it an agreement on prices, and they claim that such an agreement gives the unscrupulous dealer an undue advantage over the one who wishes to live up to the letter of the agreement.

That they can be formed and made to greatly benefit members has been demonstrated by the dealers of northeast Kansas; they went home from the last convention thoroughly imbued with the idea that much of the trouble they had had in holding their business up to a standard which made it profitable was on account of the lack of better acquaintance among the dealers, and a few of them in discussing the matter concluded to make an effort to organize the dealers of their vicinity who came in close competition with each other. A call was issued and the organization perfected. \* \* \* They meet quarterly, discuss trade topics, the credit of customers, and have a regular experience

meeting. The subject of prices usually occupies some of the time of each meeting, but no iron-clad agreements are made, hence no penalties are needed.

The members say that their coming together in this friendly way enables them to know each other better and gives them greater confidence in each other, and they find that all are in business with the same object in view, viz, for profit. They are not so suspicious of each other as formerly, do not believe every report they hear concerning the price cutting their competitors are doing.

\* \* \* \* \*

There are plenty of counties where similar clubs could be started and probably maintained if some one would take the initiative. We would like to hear from our members on the subject.

In October, 1903, another editorial on the same subject in the Bulletin made the following comment:

Some think that the establishment of prices is the only thing to be gained by local organizations. We think this is a mistake. The price-cutting evil will soon regulate itself after the dealers become friendly and confidence is well established. They will suddenly come to the conclusion that they are all in business for profit, and to succeed all must maintain about the same margin above the cost of their goods. As adjuncts to the State or interstate associations such organizations or clubs would be invaluable, and should receive the encouragement and support of every dealer.

At the annual meeting of the Federation in October, 1903, plans were perfected whereby all constituent associations might work in close harmony in encouraging the formation of local clubs. In November, 1903, the Bulletin announced that the movement to form local clubs was growing rapidly. In January, 1904, it reported the organization of a local club by dealers in Crawford and Cherokee Counties, Kans. In that month Local Club No. 3 was formed by dealers at Carthage, Mo., its purpose being stated to be that "of perfecting a better system for the extending of credits to their customers and for the further purpose of presenting a solid front in opposition to catalogue house business and for the further purpose of social intercourse."

In March, 1904, the secretary of the Western association reported that five local clubs had been organized, and the directors of the association appointed a committee on local clubs. In November, 1904, the Federation adopted the following resolution:

Believing that until we can sustain more fraternal relations at home among ourselves as competitors, the constituent associations of the Federation can not accomplish their full measure of usefulness, we, your committee, would urge a still more earnest effort upon the part of our several official boards to promote among their memberships the formation of local clubs or social organizations.

The Bulletin for January, 1905, which had been adopted as the official organ of the National Federation, emphasized the necessity of local clubs as a part of the education of dealers upon the subject of the cost of doing business and made the following statements:

The profits in the implement business are unsatisfactory.

\* \* \* \* \*

The price cutting policy is unbusinesslike and ruinous and the remedy for these adverse conditions seems to be organizing locally and procuring more friendly cooperation.

In the early part of 1905 a committee of the Western association was appointed to prepare a uniform set of rules for the guidance of all "locals" organized as auxiliaries of that association, and later in the year the Bulletin announced that "ready-made helps" for the organization of local clubs, consisting of articles of association, by-laws, a form of application for membership, and a suggested form of letter to be used in starting club work, had been provided. In January, 1907, the local-club movement was given considerable impetus at the convention of the Western association. At this time notes regarding the proceedings of local clubs had become a regular feature of the Implement Dealers' Bulletin. The Bulletin asserted that the local club was one of the vital factors in the life of the general association and of the trade itself. It expressed the belief that in the local club lay the most potent possibilities for overcoming "the evils of the business;" that in a local club could be settled all the little personal differences and grievances and a spirit of fairness and fraternity engendered, which would tend to abolish price cutting and backbiting, and enable dealers to unite in plans to outwit the catalogue house "and other prowling wolves of trade."

At the annual meeting of the Federation in October, 1907, the president referred to the progress that had been made in the organization of local clubs as follows:

The organization of local clubs has not been as general as we hoped for at the beginning of the year. The Western association has inaugurated a vigorous movement along this line. There has been some progress in the Oklahoma association, and our Iowa association has made a start. The organization of local clubs should be encouraged by every association. Lack of confidence and acquaintance among dealers is the principal cause for local jealousy and misunderstanding, generally resulting in unpleasant and unprofitable conditions. Let us give this important subject more attention.

He also asserted that—

On account of the high-priced material and the scarcity of labor, \* \* \* we will be obliged to assist manufacturers in establishing a general advance in the price of all finished goods in our line. As an organization this Federation has never re-

garded with favor any proposition which contemplates a price schedule, as such would certainly arouse the just opposition of our farmer patrons. The same conditions govern our relations with the manufacturers. The situation demands an advance. We had notice a year ago of this advance. In admitting the justice and necessity for an advance in prices we deplore conditions which eliminate free and active competition between manufacturers in any line, and such combinations should meet with the opposition of the retail dealer everywhere.

In December the Bulletin referred to the matter of advancing prices in an article which read as follows:

With the steadily advancing prices of all goods in the implement, vehicle and hardware lines has come a very perceptible reduction in the profits to the retailer. A majority have been timid about advancing the retail prices as the increased costs seemed to justify.

Again, too many dealers fail to take into account the expense of marketing their goods when deciding upon their selling price. In a majority of cases the invoice price and transportation charges are about all that are considered when figuring costs.

This is the time of the year for taking the annual inventory and figuring up the year's business, and it will be an easy matter to ascertain what the percentage of expense has been for conducting the business the past year, and when arranging a schedule of prices for the coming season this should be added to the cost and carriage and the percentage of profit added to that.

It will be found that a thorough knowledge of what it costs to sell goods will have a stimulating effect in maintaining prices, and no dealer has his business well in hand who does not possess this knowledge.

This important subject will be discussed at the convention, and no matter how long you have been in the business or how well satisfied you are with your present methods, you will pick up some pointers that are of value to you.

The necessity for increased prices because of increased cost of materials had already been referred to by the chairman of the executive committee of the National Association of Agricultural Implement & Vehicle Manufacturers at a conference in January, 1907, between representatives of that association and of the Western association. In his explanation the chairman admonished the dealers, as follows:

Locally you should have an understanding among yourselves as to what is a fair price, and stick to it. Your local organization is to be your salvation.

The advantages of local clubs were pointed out in a letter from the chairman of the Federation's committee on local clubs published in the Bulletin for November, 1908. This letter read in part as follows:

We have our State or district associations to work for the betterment of conditions and protect the interests of the dealers in

their territory and protect their members, through their legislative, insurance and complaint committees.

We have our National Federation to help the State and district associations, meet the various national manufacturers' associations, and look after the matters of national importance.

But in order to make the work of the National Federation and the State associations of the greatest benefit to the individual firms we should have the local associations, for the improvement of the whole must come from the improvement of the individuals.

\* \* \* \* \*

The question of territory to be covered by a local association is important. It should be the territory surrounding a central, or easily and cheaply accessible town, such as most county seats.

\* \* \* \* \*

A local association can organize with officers and committees on complaints, credits, catalogue house, collections, exchange, legal matters, and auxiliary to the State or district association. Make annual dues low as possible. Adopt uniform blank orders and notes, uniform terms for sales and settlements, cut out trading for old goods, canvassing, and delivering goods, secure list of catalogue house patrons, make lists of slow and dead-beat customers, protect against auctions and peddlers, save expense in legal matters, make progress, profit and protection.

Will you work or be worked?

A letter on the same subject from a member of the Western association, published in the Bulletin in July, 1908, read in part as follows:

I am frank to say that we can never hope to get all our neighbor dealers to join our local clubs. \* \* \*

Those who hesitate to join local clubs on account of a feeling that they are combinations that fix and raise prices can disabuse their minds of any such idea, as there are so many more important things than the matter of retail price, things that are sapping our very business life every day, that there is no time for such foolishness as talking about fixing retail prices.

The secretary of the Federation asserted in 1912 that the maintenance of a price schedule, by a local club of dealers, is neither practicable nor possible. In this connection, he said:

There are but few, if any, local clubs that include in their membership all of the competitors in any locality, hence the impossibility of having any price agreement.

No evidence is available to show whether the members of any of the local clubs organized as auxiliaries of the federated associations during this period made any effective agreements as to uniform prices. The formation of such clubs by bringing together dealers in active competition with each other in various localities must have had more or less of a tendency to influence retail prices and must have offered some temptation to make price agreements, although the

Federation and its constituent associations did not encourage such activity among members of local clubs. As shown above, the Bulletin took the position that the practice of price cutting would regulate itself as dealers became more friendly and confidence established. In connection with the cost educational campaign discussed in the following section, frequent reference is made to subsequent activities in the promotion of local clubs by the manufacturers' and dealers' associations.

#### Section 5. Prices based on uniform method of computing costs.

The unsatisfactory condition of the retail trade in farm wagons in 1906 resulted, in November of that year, in the determination by the National Wagon Manufacturers' Association to investigate terms with a view to bettering the general conditions. The Kansas City implement jobbers' club had already started an educational campaign among the dealers in behalf of higher retail prices and shorter terms. The undertaking of the wagon manufacturers eventually resolved itself into an organized movement to secure the maintenance of better retail prices by educating dealers in their costs of doing business, according to a plan of cost accounting advocated by the Cost Educational Association. (See p. 228.)

In starting this movement in a systematic way the secretary of the National Wagon Manufacturers' Association, in November, 1908, addressed a letter to the principal journals devoted to the interests of the retail implement and vehicle dealers. This letter, which was not intended for publication, explained the conditions as viewed by the writer and asked a statement of opinions from the several editors in regard to starting a campaign of education. This was followed shortly afterwards by a bulletin issued to the members of the wagon association on the subject of "Educating your customers and its bearing on the trade." In this bulletin the secretary explained the influence of prices made by inexperienced dealers on trade conditions. This bulletin read in part as follows:

Reliable information shows that out of every hundred dealers 20 to 40 *fail, sell out, or give up this line each year*, mainly because it has not paid. Why? Principally because the greater number entering this line come from the farm with a knowledge of the use of what they sell but little or no business education to help them to success, so that when the wagon and implement salesmen load them up and leave them to their own devices, without a word of instruction or suggestion, it is not strange that they commit the error of adding only a dollar or two above the factory cost and freight and calling it profit. Then, when the season's business shows little or no profit, they change their lines, seeking lower prices, until the sheriff gets them or they sell out to some other unfortunate. This class of dealer is the kind

the good dealer is always complaining of and the kind that causes him to drop the handling of wagons. Well, what are *you* going to do about it?

This is a statement and question I have just put up to the most prominent plow and implement manufacturers and jobbers, dealers' associations and trade papers, throughout the country, together with the following suggestions:

1. Start simultaneously an educational campaign and stick to it.
2. Let manufacturers and jobbers make an effort through their selling and advertising forces.
3. Trade journals to cooperate in able editorials and telling illustrations in cost and profit figuring.
4. Dealers' organizations, by making "*cost-expense and profit*" the most prominent subject at their conventions and the appointment of a standing committee, who, with the secretary, will send information monthly to their members.
5. Personal effort on the part of the traveling salesmen to urge the dealer to retail the goods he sells them at more profitable prices.

The answers have been coming in every day, and the largest majority say the idea is right and they will help—only a few say it might succeed but they are doubtful, still suggest no other remedy for this serious situation.

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The trade journals are ready and willing to cooperate, glad to. The dealers' associations, though blaming the manufacturers and jobbers for many of their ills, say they will gladly cooperate, and have already given the question a prominent part in their convention programs and we have supplied the speakers with much effective data—also the manufacturers who will speak to them at conventions of the Illinois, Wisconsin, and Iowa associations, one of whom is our executive chairman, Mr. Kinney, who will put the matter to them strongly; we will urge the later conventions in like manner.

Don't you see that if we can educate our trade how to figure complete costs, as we ourselves have learned and benefited by it, then they will know the danger line separating cost from profit—few throw away profit knowingly, but many do so ignorantly.

I inclose a little illustration entitled "Figuring costs" which is worth while noting: See how a margin that looks large dwindles down to insufficient profit when *actual cost* and *expense* is deducted.

If the annual expense of the dealer is 10, 15, or 20 per cent of his selling price, where does he get off in selling two-horse wagons at \$5 more than factory price and freight? And are we wise in letting the dealer drift along until he finds this out and drops wagons, or will it not be better to back him up in getting prices that will make the business profitable and interesting and so help ourselves?

If we take up this campaign, with the cooperation of the other lines I have mentioned, it will mean a long, persistent fight, and no one should enlist "to give it a trial," for it is either right or

wrong, and if right, means the preservation of our business, but will take time and energy.

I desire very much your opinion of the matter before our meeting next week, for in event of a majority favoring the plan, we want to line up the other associations and get the movement started to affect 1909 trade as early as possible.

This subject assumed greater importance by reason of the advance of 10 per cent in prices decided upon by the wagon association at that time. (See p. 371.) The manufacturers appear to have realized that it would be difficult to maintain this advance unless the dealers were awakened to the importance of making a similar advance in retail prices. At a meeting of the wagon association the secretary reported that various branches of the trade were developing great interest in the subject of a general inquiry into costs of doing business, especially as it affected the inexperienced dealers, and on recommendation of the secretary it was voted "that we recommend that all members of the association become interested and cooperate earnestly and effectively along the lines suggested, and those that may be shown in working out a practical plan, and that we will unite with other industrial associations furnishing goods that go to the farmers through the dealer in doing everything we reasonably can to urge upon the dealer the necessity of cost knowledge and supporting him in obtaining better returns on his sales to the consumer."

During the convention of the Western association at Kansas City in January, 1909, a very important conference was held by representatives of the dealers, manufacturers, jobbers, and trade papers, to consider the cost educational work as a remedy for the reduced profits in the sale of implements and vehicles. A committee of permanent organization<sup>1</sup> was appointed and it was "recommended that the matter of permanent organization be referred to the president and secretary of the several implement and vehicle manufacturers associations, the National Federation and to delegates from each of the implement and vehicle clubs of the large implement trade centers."

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<sup>1</sup> This committee as appointed was to be made up of the president and the secretary of the following associations: National Wagon Manufacturers' Association, Carriage Manufacturers' Association of America, Carriage Builders' National Association, National Plow Association, National Association of Agricultural Implement & Vehicle Manufacturers, National Federation of Retail Implement & Vehicle Dealers' Associations; also two delegates from each of the implement and vehicle clubs of jobbers at Kansas City, St. Louis, Minneapolis, Dallas, Omaha, Oklahoma City, Des Moines, and Peoria; also the implement trade journals by accredited representatives. The secretary of the National Wagon Manufacturers' Association was elected chairman.

The duties of this special committee were to investigate the existing conditions and to report the result, with their recommendations of possible remedies, to a joint meeting of the committee and the National Federation of Retail Implement & Vehicle Dealers' Associations, at the time of the latter's annual meeting in the fall. The report was particularly to include suggestions as to the advisability of effecting a permanent organization to carry out all recommendations finally made and adopted.



During January, 1909, the secretary of the wagon manufacturers' association addressed conventions of dealers' associations at Minneapolis and Kansas City on the subject of costs. The same month another representative of the association addressed a meeting of dealers at Portland, Oreg. In connection with these addresses, the secretary, in a bulletin dated January 29, stated:

You have already learned from the convention reports published in the trade journals how this movement among manufacturers, jobbers and dealers' organizations has taken hold all over the country, and that a conference will be held at Chicago to effect a permanent organization along these lines in the near future.

It simply means that we must take a hand in the education of our trade if we would have them realize the increased cost of our product and at the same time realize that their prices must also be advanced to maintain their profits.

In February, 1909, the secretary sent a letter to secretaries of various dealers' associations, inclosing blank for the purpose of gathering data to be used in the preparation of a cost-finding system, and in March he issued a bulletin to members of the wagon association, stating that the inquiry had disclosed a lack of information among retailers in the matter of their costs and that most of the figures that had been submitted were marked "estimated." In this bulletin he also said in part:

Would it not be worth while at this time, when your customers may be fighting your May 1 advance, or trying to beat down your prices (which seems to be the only way they can think of to make money), that you instruct your travelers to learn what your wagons are retailed at, and show them how to make money on them if they are not doing so—you can also do much from your office along these lines, in fact, as this matter of cost knowledge is necessary in all lines handled, your efforts to aid your trade this way will promote better acquaintance, and when your customer is convinced he is making money on your line he will not readily yield to your competitors.

Recently, a jobber in selling a certain wagon insisted on knowing the price at which the dealer would retail it, and refused to give territory and the agency of the wagon to anyone whose retail price would not yield him a good profit. The jobber stated to me that he had found enough dealers attracted by this practical guarantee of a good profit to give him a very satisfactory trade. His plan is entirely legal, and you could not take his customers, as they are more interested in the *profit* they get than the price they pay for the wagon. I am firmly convinced that this plan is practical and can be followed successfully with any wagon of good standing and merit if placed in intelligent hands and a sufficient amount of territory given.

Later in March, 1909, another bulletin was issued to the members of the wagon association, inclosing a form of letter which it was suggested might be sent out to the trade in helping along the campaign of cost education. This bulletin said in part:

It is our aim, if these suggestions meet approval, to follow them later with more direct facts and figures, so as to convince the dealer that attention to this matter by him means *real money profit*.

The form letter inclosed with this bulletin read as follows:

Subject: "*Better profits.*"

GENTLEMEN: Are the profits you are making on the lines you are handling satisfactory, especially our make of wagons? If not, won't you tell us where the trouble is, for we believe that together we can find a remedy.

*Success or failure.*—All who engage in business do so to make money, yet it is said 90 per cent fail to succeed—why?—and are you and we to be counted with the 10 per cent of successes or the 90 per cent of failures? That depends largely on ourselves.

The principal causes given for business failures are—inexperience—lack of capital—lack of knowledge as to the cost of doing business—the last being the most important of all.

When we engage in business and invest our capital, we aim to do three things; first, to pay all expenses; second, to provide for the living expenses of ourselves and families; third, to make a clear gain on our investment after providing for these expenses, otherwise we would better loan our capital and work on a salary for someone else.

*Expense.*—The great stumbling block seems to be that we do not get enough profit. Why? Because we do not know when we are asking a right measure of profit unless we have added the proper proportion of every item of expense to the invoice price and freight paid for each item to determine its total cost before adding profit. You may guess or estimate your expenses in fixing your selling prices, but bear in mind that when expense deals with your cash drawer it demands full payment—not \$4 for \$5 but 500 cents taken right out of your investment or profits. Do we realize that "Expense" is the greatest foe to business success, and must be known and controlled or failure must eventually follow?

The following are some of the items that we should keep account of daily, no matter how small the amount is we pay out for them—then there will be a number of special expenses peculiar to your particular business, viz, interest on all capital invested (including borrowed money); rent (if the owner, what the property would rent for should be charged); salaries (wages of all help including members of firm); express, telephone and telegraph (not charged to customers); advertising; stationery, office supplies, postage and envelopes; drayage (goods received and goods delivered); fuel and lights; livery, horse feed, shoeing and wagon repairs; insurance and taxes; traveling expenses; store supplies and repairs; donations and subscriptions; losses on bad accounts and notes; attorney's fees and costs for collect-

ing; depreciation on stock carried over; deductions and allowances to customers; all other expenses.

*Salesmanship.*—If you have not been applying the amount of your expenses before adding your profit, you will find a readjustment of many of your selling prices necessary—raising some and perhaps lowering others—but it is the only safe way to run a business and meet real competition.

Competition is too intense to permit of anything but fair profits, and these both you and the manufacturer must have to keep out of the ranks of business failures.

True salesmanship is selling goods at a profit, not price matching, that is often called "meeting competition," for it requires no brains or skill to give away good goods at the same price as one's competitor is offering an inferior line. Meeting competition, in fact, is to know the superior merits of the goods you are handling and so impress them upon your customer that he will decide he wants them, just as you wanted them when the traveling salesman for the manufacturer convinced you of their merits. Price plays only a minor part with a good salesman or merchant—few goods are worth more than what they are sold for.

If you have a competitor who is making a ruinous price on good goods, nine chances out of ten he is doing it ignorantly, and it will be money in your pocket to visit and show him your costs and his error; but if you can not convince him, the more loss he makes the sooner he will go out of business—you can better afford to wait than go down with him, for his trade will leave him when they can not get goods at cut prices.

*Wagon costs.*—Lastly, as to wagons, which are an indispensable necessity but have for several years past been sold at a very small profit, you can not give too close attention to your costs, profits, and readjustment of selling prices on them, for necessary advances must be made from time to time to meet the increasing cost of production, principally due to the growing shortage of wood materials, and the future holds no promise of lower costs.

Trusting that something that we have said from our experience may help you, and assuring you of our willingness to assist you in the increasing of your wagon trade to our mutual good, we remain

Yours truly,

Under date of April 9, 1909, another bulletin was issued to members of the wagon association, calling attention to resolutions passed by the Empire State Implement Men's Club indorsing the movement to educate the implement and machine dealer in his costs of doing business and declaring that travelers should educate dealers to get better prices and more reasonable profits and, further, that travelers when canvassing with dealers should absolutely insist upon the dealers getting the regular retail price on every sale. In connection with these resolutions, the secretary of the wagon association stated:

We educate our employees in every department of service to get the best results; why should we not counsel with our travel-

ers, and get their cooperation on such an important matter as this, for we know that it costs far less to hold old trade than to make new. A real salesman will be quick to see the value of this work, but one of the "What's the use" kind will continue to be a human expense account.

The secretary continued to correspond with the secretaries of dealers' associations and with the trade journals on the subject of cost education, and, under date of October 7, 1909, a call was issued for a meeting at Kansas City of the special committee on costs appointed in January, 1909. (See p. 220.) This committee met October 21, the secretary of the National Wagon Manufacturers' Association acting as chairman, and rendered a report to the National Federation of Retail Implement & Vehicle Dealers' Associations then in session. This report showed considerable variation in the costs of different dealers in different parts of the country from whom figures had been obtained. It also embodied suggestions as to the items that should be included in computing costs. The dealers' Federation indorsed these suggestions and ordered a supply of them printed and sent to all constituent associations, with the request that a copy of them be placed in the hands of every member. (See p. 229.) It was stated by the secretary of the wagon manufacturers' association that—

We expect to again meet with the Federation in January, at which time it is hoped plans can be formulated to place this cost effort on a practical and permanent basis, as the lack of cost knowledge is at the bottom of nearly all business trouble.

The dealers expect cooperation from the manufacturers and jobbers in working out this problem, and we would suggest that you look over the above cost recommendations and if you are as impressed with their practicality as the dealers are, have a quantity of them printed in card or circular form and send them out to your customers by mail, also let your travelers call attention to them. Better grade merchants mean better grade customers.

At the annual meeting of the wagon association in November, 1909, the secretary made a report of the progress of the cost educational movement, and the members adopted the following recommendation:

That the important parts of this report and suggestions be printed and furnished members at cost for distribution to their trade and that fullest cooperation be given in urging the importance of the matter on one's customers.

Referring to the influence of the cost educational movement in bettering conditions in the wagon trade, the secretary of the wagon association, in a bulletin issued December 20, 1909, said in part:

The wagon business fell from being one of the most profitable lines handled by the dealer to one of very little profit by a combination of circumstances, which we discovered after the effect

had reached us. Being compelled as we were to advance our prices to take care of increased cost, we neglected to urge strongly enough on our customers the necessity of likewise getting these advances, and the dealer, in ignorance of what it cost him to do business, believed he had sufficient margin of profit to permit absorbing most of these advances, so retail prices remained about stationary while the advances consumed his profit, and now there are almost numberless cases where dealers are indifferent to wagons and many would not handle them if they were not an absolute necessity. Therefore, knowing that these are facts, how can we hope that somehow and sometime the wagon business will right itself if we sit, depressed and discouraged waiting for something to turn up.

Our customers are being greatly helped by their associations and organizations and the manufacturers in other lines are losing no opportunity to help them get more light, and as our line needs more attention than any other one they are handling, I feel that we shall make a very grave mistake if we do not join this forward movement to help along this effect to enlighten our trade as to the costs of doing business, which when fully realized will so adjust selling prices that wagons will be sought as a leading line and not handled as a necessity.

Even if this plan is not a perfect one, the very agitation of the subject will direct more attention to wagons, which in itself will be helpful, but I feel confident that as we are on the verge of more prosperous conditions, and as we are perfectly well aware that there is no possible chance of being able to produce and sell wagons at any less than present prices, the sooner we can by any effort get the dealer to realize the status of the wagon, what it costs to handle it and what it ought to be sold for to be profitable, the sooner we will get what we are hoping for. I have no patience whatever with a suggestion made not long ago, that many dealers do not know that they are losing money on wagons and if they discovered such to be the case they would stop handling them. What could be worse than expecting to profit by a customer's ignorance, for if he is losing money on wagons through lack of cost knowledge it is equally true that he is losing on other lines, consequently it is merely a choice between setting him right now and keeping him permanently, or taking the usual receiver's dividend some day when suddenly he is compelled to quit business.

It is our intention before sending out the cost suggestions, enclosed with my last bulletin, to enlarge and improve them by illustrated examples, of implements as well as vehicles, but I do not want to push this effort either in the face of a majority against it or passive indifference, which is worse, therefore I ask you whether this effort to bring the whole retail implement and vehicle business to a higher plane, and particularly wagons, is sufficiently worth while for you to aid us with practical cooperation, or had we best wait and be carried along by the general forward movement.

At the annual convention of the National Association of Agricultural Implement & Vehicle Manufacturers in October, 1909, the following resolution was adopted:

That we recommend to the Dealers' Federation the very great importance of following up and putting into effect everywhere the plan suggested by the general committee of the trade on the subject of the cost of doing business, which would automatically establish the proper retail price in every locality, leaving to the dealer a legitimate profit.

The movement also received the indorsement of the plow and seeder manufacturers' associations. These associations, as well as the National Association of Agricultural Implement & Vehicle Manufacturers, recommended that all their members and branch houses join the cost-educational movement and contribute to its support.

The cost of doing business began to be a topic of great interest to the dealers, and at the Federation meeting in October, 1908, it was one of the principal subjects recommended for consideration by constituent associations and local clubs. Furthermore, the Bulletin for December, 1908, stated that the manufacturers who, as representatives of the National Association of Agricultural Implement & Vehicle Manufacturers, were attending the conventions of retail implement dealers' associations were bringing to the dealers' attention the importance of properly estimating costs.

Some of the federated associations created cost committees. Members of the Iowa association were urged to furnish the cost committee of that association with exact statements in regard to their expenses of doing business.

At the convention of the dealers' Federation in the latter part of 1909, the special cost committee of manufacturers, jobbers, dealers, and trade-paper representatives reported that replies from a considerable number of dealers showed the minimum percentage of the cost of doing a retail business to be 14 per cent and the maximum 22 per cent.

This report also suggested the establishment of a permanent organization to dispense accounting information to the dealers, and that this work be assumed by the Federation with promises of financial aid from the manufacturers and jobbers. The matter was thoroughly discussed, and a special committee of the Federation, to which the matter had been referred, made a report. The Implement Dealers' Bulletin in referring to this report stated that the committee—

deemed it inexpedient to take up the work of organizing and maintaining at this time a bureau of cost education and accounting; that such a course was unadvisable inasmuch as the Federation was lacking of the necessary funds and that such a bureau would not be self supporting. It was also reported

that it was the belief of the committee that the work should be carried on by the manufacturers and jobbers with such assistance from the Federation and State associations as they were in a position to give, the grounds taken for this being that only a small percentage of dealers are members of associations, and as the benefits of cost education would be for non-members as well as members, it would not be doing justice to the active members to bear the burden of educating those who care nothing for association work and its attendant results.

The report met with the unanimous approval of the Federation. There was no dissenting voice to the proposition that cost accounting is of vital interest to the retail dealer and it was decided that it should be made the leading subject for discussion at conventions of all constituent associations and that jobbers be asked to close their places of business during the session of the convention when this subject was on the program so that all may attend and hear and take part in the discussion. It was also arranged that another conference be held in Kansas City during the convention of the Western association.

The following resolutions on the subjects of costs and local clubs were adopted by the Federation at this convention:

*Figuring costs.*—Believing that one of the principal causes of failures and of the large per cent of changes in the retail implement business is ignorance as to the cost of doing business, and failures and changes being very damaging to the trade as well as the jobbers and manufacturers, we urge every officer and member of constituent associations to study the subject and take it up with his neighbor. We also urge special consideration of this important topic at the coming conventions.

*Local clubs.*—It is the judgment of your committee that this Federation and the several constituent associations do not realize the value of local clubs, or greater effort would be made to organize them. Cover our territory with local clubs and 95 per cent of the trade evils complained of will vanish. The local club will do more for the retail trade than all other agencies combined. It is not opposition that retards the organization of local clubs; it is inertia, lassitude, laziness, and a disposition to look to the other fellow to do what you ought to do yourself. The organization of local clubs will sweep our territory like wildfire if the prominent, self-satisfied members will wake up and put their shoulder to the wheel. And it is further the judgment of your committee that the members of this Federation and the official members of our several associations are at fault in that they have not each taken more aggressive individual action along this line.

Under date of December 27, 1909, a call was issued to members of the special cost committee of manufacturers, jobbers, dealers, and trade-press representatives for a meeting to be held at Kansas City in January, 1910, at which time the final report would be made. In this letter it was stated that cost education had been the most prominent topic at all conventions and annual meetings of retail imple-

ment dealers during the fall and winter; that trade papers had given aid; and the manufacturers had also done much practical work in addressing meetings of dealers and by giving cooperation through their travelers. It was stated that the meeting had been called to consider the methods to be used in continuing the work.

This meeting of the special cost committee at Kansas City in January, 1910, resulted in the organization of the Cost Educational Association, to carry on the cost-accounting work among the retailers. The secretary of the National Wagon Manufacturers' Association was elected president of the new association; a representative of an implement manufacturing company in Illinois was elected treasurer, and an executive committee, consisting of manufacturers, jobbers, dealers, and representatives of the implement trade press, was also elected. The selection of representatives of the traveling salesmen to serve on the executive committee was left to that committee. In commenting upon the new organization, the Bulletin for February, 1910, said in part:

It is the purpose of this association to establish permanent headquarters in charge of a competent secretary and to send out to dealers information relative to cost figuring. Experts will be put to work devising systems for the use of dealers in keeping track of their business.

It is the greatest work ever attempted to place the implement business upon a more profitable basis, and the interest dealers are taking in it is manifested by the large attendance at the sessions of all of the conventions when it was up for discussion. They are eager for information and enlightenment upon any point that will tend to make their business more profitable.

The president of the Western association in a message to members, published in the Bulletin for February, 1910, said in part:

If we renew our allegiance to the association, study our business from a profit-getting standpoint and make a success of it, we will build up the personnel of our members and put our business on a commercial basis where the retail implement and vehicle dealer will no longer have a questionable rating and his business will be a satisfactory one.

From the time of the formation of the Cost Educational Association, the Federation and its constituent State and interstate associations took renewed interest in the local-club movement. Some associations employed county agents to organize local clubs. The Bulletin asserted that it had been the experience of local-club workers that care should be taken not to cover too much territory. Referring to local clubs, it was said:

They should be just what the name implies, local organizations, because it is local conditions with which they must cope. They should cover what might be termed competitive territory.



Sometimes territory can not be confined to county lines, but it should be so arranged as to take in dealers who come in close competition with one another.

Letters published in the Bulletin in 1910 reported the proceedings at meetings of various local clubs. The report of a meeting of a local club in Marshall County, Iowa, contained in the Bulletin for July, 1910, read in part as follows:

The meeting was very informal. Every man had a right to talk back or ask questions, and the friendly, yet spirited way in which the troublesome questions were discussed was indeed refreshing and gives promise of better things.

This club has accomplished great things. It is indeed a model club and it is hoped it will be as the leaven that shall leaven the whole State. The members have not only increased their prices, but reduced their expenses and are doing more business with less friction, thus eliminating unpleasant competition.

Another item in this issue of the Bulletin stated that—

The members of Local Number 30 seem to be well pleased with conditions this season. They have all been upon friendly terms, and there has been practically no price cutting on implements. They naturally feel that their local club has been of great value to them. A meeting of the club will be held before fall trade commences.

In December, 1909, the special joint committee on costs sent out a card intended for circulation among retailers. (See p. 224.) This card was entitled "What does it cost you to do business?" In May, 1910, the Cost Educational Association issued a folder entitled "Suggestions No. 2." These two circulars are shown as Exhibits 27 and 28, respectively. Both recommended that dealers in figuring costs should include interest on total investment, rental on buildings owned and used in the business, and a salary for the services of proprietor, as well as for employees. The significance of this method of computing costs is referred to elsewhere. (See p. 241.)

At the convention of the Federation in October, 1910, the president referred to the Cost Educational Association as follows:

This association should receive the support of every manufacturer, jobber and retail dealer in the land, and if it can work out some plan by which it can show the price cutting dealer when he first engages in business, what he sees after he has lost his money and he finds himself a bankrupt, it will have done great good. We commend this association and bespeak for it your consideration, encouragement and support.

The report at this meeting of the chairman of the committee on local clubs showed that the movement was growing and declared that none of the clubs fostered by the constituent associations of the Federation attempted to maintain a schedule of prices, but that,

through the medium of these clubs, many of the evils of the trade had been eliminated. At this convention a conference was held with the executive committee of the Cost Educational Association. The chairman of the latter reported the progress that had been made and appealed for even better cooperation on the part of all branches of the trade, not only in a financial way but by better organization of cost committees, local clubs, etc., for the purpose of getting members to do personal work. A general discussion took place, the delegates present pledging the support of their associations in this movement. The president of the Federation is reported to have stated that inasmuch as there were many dealers who would never be reached by any cost educational suggestions they should be weeded out and that it was incumbent upon manufacturers to carefully investigate prices made by such dealers with a view to discontinuing business relations with those known to persistently sell at prices embracing no profit whatever.

The organized dealers regarded the plan for the organization of the National Implement & Vehicle Association in the latter part of 1910 as affording the means of maintaining a cost educational department that would mean much to the retailer in view of the prospect for a real campaign to be carried on with new dealers. The report of the manufacturers' committee on consolidation on this subject read as follows:

In this department it is not alone a question of collecting and furnishing data as to the best method of computing cost for the manufacturer, but to go one step farther and endeavor to supply information to our retail customers as to the best method of their determining the cost of doing business.

Briefly stated, the greater percentage of those already engaged and those entering the implement and vehicle business are men with only a limited amount of business training, yet we loan our capital on longer time than any bank, and without any security, simply on our estimate from secondhand information; that they will come out all right, and we find many times to our sorrow that failures are caused simply by the lack of knowledge of the cost of doing business in the retail trade.

Financial failures can greatly be reduced by supplying information to the trade which we will be able to do through a well equipped organization in this department.

In January, 1911, the president of the Cost Educational Association discussed its work before the convention of the dealers belonging to the Western association in part as follows:

The executive committee of the association has met in Chicago three times during the year, namely, February 10, June 16 and October 11. All these meetings were well attended and work planned, which has since been carried out as far as possible.

The first piece of cost literature sent out by the association was entitled, "Suggestions, No. 1," containing rules for the figuring of costs, of which approximately 100,000 were printed, part of them distributed gratis, and again, quantities sold to manufacturers and associations for distribution among their customers and members. This was followed later by the issuance of a folder entitled "Suggestions, No. 2," containing a revision and detailed explanation of the same rules for figuring costs, together with a table for readily determining the selling price of any article, based on a knowledge of the per cent of cost and profit, using as a basis the purchase price of the goods. These folders have been supplied to every dealers' convention held this year who accepted our suggestion to distribute them at the time of their meeting; fully 80,000 of them have been sent out in various ways.

Our work has necessarily been done to a large extent by correspondence, and we have by this means urged upon the various associations throughout the country that the subject of costs be made a special feature on their convention programs, which request met with a most enthusiastic response and in most instances the greater part of one day of the various conventions has been devoted to cost educational work.

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I would like to call particular attention to the fact that more conventions in the Middle West have been addressed by dealers than by manufacturers, which to me is, as it must also be to you, a most encouraging sign of the progress being made. \* \* \* During these talks the progress made in organizing permanent cost committees and local clubs were reported on and in every instance where there had been such activity within the territory of any association reports as to improvement in profits and selling conditions were very marked.

\* \* \* \* \*

There is another feature I would mention at this time, which is that in working out these problems of cost the manufacturers, jobbers and dealers have been brought closer together than ever before, and from this cooperative work it is not difficult to see that in time many of the other problems which are still confronting us will be brought to a satisfactory solution, I believe. This work has caused all engaged in the implement and vehicle lines to realize that their interest is common in nearly all of these problems, consequently they can only hope for a successful solution of them by reasonably considering them together.

\* \* \* \* \*

In closing this report, let me say that the progress of the work thus far has exceeded all expectations, for in the beginning it was looked upon by many as visionary and chimerical, and because of its educational character it was predicted that it would take years to show results; but we are conscious that while the agitation has not extended back more than three years and the actual work only one year, that the results not only

have justified every effort made and every penny spent, but it would positively be a calamity if the work was not carried on aggressively.

One of the members of the Western association in an address to the members at this time referred to the cost educational movement in the following words:

Now here is the proposition before us—these jobbers and manufacturers are all trying to teach us how to do business and tell us how to make money by raising the price in the sale of goods, and telling us how we shall figure out the cost of doing business and also telling us how we shall be honorable and honest among ourselves to them.

Another member stated that there was a successful club in his district made up of dealers from several adjacent counties. He said they did not try to establish prices, but that, in his opinion, when the dealer was in sympathy with his competitor prices would adjust themselves. Another member recommended that clubs be formed early in the season before the trade opened up, stating that there were always certain dealers who start out and make the lowest prices early in the season and that they were the men who did the most harm by price cutting.

The Cost Educational Association held a meeting at this time at which it was decided not to continue the association as a separate organization, but to divide the work between the dealers' Federation and the National Implement & Vehicle Association, the latter to originate, print, and publish a reasonable amount of cost information and cost literature, to be distributed by the dealers' organizations among their members and unorganized dealers as well.

The Bulletin issued in March, 1911, asserted that local clubs were increasing. It went on to say:

There is no movement so well calculated to benefit the retail business as this, and when dealers put off so important a matter they simply stand in their own light. There is no reason why competitors in any line should not meet frequently to talk over business conditions. We do not mean by that to agree upon a schedule of prices, for that is not only unlawful but entirely unnecessary; but there are a thousand and one questions which will come up, discussion of which will be of benefit to all.

In April, 1911, the Bulletin stated:

It is not always advisable to confine the territory [of the local club] to county lines, but it is better to take in the towns which come in closest competition with each other.

At the Federation meeting in October, 1911, the delegates discussed the best methods of reaching dealers who take no account of the cost of doing business, and, in this connection, some of the delegates expressed the opinion that the best way to reach them was

through the manufacturers whose goods they handle. The opinion was freely expressed that most manufacturers had given too little attention to this important subject. The preponderance of opinion, however, was that the local club was the best medium for promoting cost education among the retail dealers. A committee was also appointed to prepare a plan for pushing the local-club movement in the various constituent associations. The Federation's committee on local clubs reported that 74 local associations or clubs had been organized in sections covered by the federated associations, of which 55 were in existence. In regard to accomplishments of such clubs, the committee reported that dealers had been brought into more friendly relations; their business conducted on a more profitable basis; members' rights, as to territory, respected; cost knowledge disseminated; better prices obtained; and matters of local interest taken up and acted upon.

A representative of the manufacturers' association who was present pledged the support of manufacturers in the cost educational movement, and said in part:

We will endeavor to do our part in furnishing, if you desire them, speakers from our ranks to cooperate with you in spreading the cost gospel, and thus by keeping everlastingly at it, not only at convention time, but through local clubs, special cost committees, and every other reasonable means we shall be able to make a mutually satisfactory report a year hence.

At the annual convention of the National Implement & Vehicle Association held at the same time a separate department of the sales managers of concerns belonging to the association was organized. From subsequent developments, it appears that, in addition to the other purposes proposed for this department, its organization was intended as an important step in furnishing assistance to dealers in the cost educational campaign. The members of the National Implement & Vehicle Association also adopted the following resolution:

Whereas, the subject of the "cost of doing business" is one of the most important now before the trade,

*Therefore, be it resolved,* That our members be requested to instruct their salesmen to take up and discuss the same with the retail dealers with whom they come in touch, with the view of improving the condition of the dealers, and thus making them more permanent in the trade than has been the rule heretofore.

Furthermore, the secretary and general manager of the National Implement & Vehicle Association, in addressing the annual convention of the members of the Western association in January, 1912, stated that he did not believe that any man who expected to remain in business could afford to overlook the matter of local clubs. He also stated his belief that the manufacturers would render personal and every other kind of aid to help the work along.

A representative of the National Implement & Vehicle Association, in addressing the convention of the Minnesota implement dealers' association at this time, emphasized the great benefit of local clubs to dealers. In this connection, he said in part:

I know, of course, many of these have been formed and then broken up, for the reason that you all would not stand by your agreements in regard to prices. But for the time being you should forget such grievances and work together to save the retail trade for yourselves. Then after working together for a time you can become such friends that you may bring up the price question again later on, but the point I want to impress upon your minds is "get together." Everyone put your shoulder to the wheel and you will win.

The manufacturers will help you in this also, and in fact in every way that will bring you in a closer relationship with us.

Another representative of the National Implement & Vehicle Association, in addressing this convention, said in part:

It is the stay-at-home dealers who do the mischief, they are the ones who cut prices and demoralize the business. To reach them form your local clubs. Get in all the dealers in the near-by towns. Neither they nor you are half as bad as the other thinks he is, and you will find this out when you come to know each other better. Talk over this cost question with them, provide printed matter on the subject, and eventually you will get them into the association, and the implement business in your section will show better results.

A representative of the manufacturers, in advising the Minnesota dealers how to reach dealers who would not join the State association, advised the formation of local clubs. At a banquet held at the time of this convention, attended by members of the Minnesota dealers' association and the jobbers belonging to the jobbers' club of Minneapolis and St. Paul, a prominent dealer from South Dakota, in an address on the subject of the benefits of cost accounting, spoke in part as follows:

This association is not complete, and will not be complete, until it reaches every dealer in the State, and this certainly can only be done through local organizations or local clubs. If your competitor is doing business at a loss, probably he does not know it; but, nevertheless, he is forcing you to sell your goods without a profit. If you should tell him that he is doing business at a loss he would probably laugh at you. Under these circumstances it may take some pluck and it may interfere somewhat with your ideas of dignity to ask your competitor to meet with you and talk over matters pertaining to your business, but your dignity will suffer far more in a bankrupt's court. I believe that you will be forced to do it sooner or later, as a matter of self-preservation, as the sooner you do it the better.

\* \* \* \* \*

There will be but very little price cutting when you and your competitors all know what it costs to do business, and how little net profit you are actually making.

\* \* \* \* \*

The manufacturer and jobber owe to the retail dealer the right to select territory large enough to safeguard him from price-cutting competitors, and they also owe to the retail trade in general the duty of cutting out all dealers who are known to be price cutters. The tendency of manufacturers and jobbers is to increase the number of agencies and decrease the size of the dealer's territory. The mutual interests of such manufacturers, jobbers and retailers demand the reverse of this policy, which would help to decrease the cost of doing business for the retailer.

During the early part of 1912 the Bulletin reported the spread of the local-club movement, especially in the territory of the Western association, and stated that the subject of the costs of doing business was being very generally discussed. The secretary of the Federation in a general letter to secretaries of the constituent associations in March, 1912, said:

I want to urge upon you the great importance of the local club work and to admonish you to push it with vigor. It is receiving an impetus in many places and the results are remarkable. Manufacturers and jobbers are greatly interested and if you request it will instruct their travellers to talk local clubs everywhere they go.

Finally, in July, 1912, the Bulletin reported that a plan was being worked out by the sales managers' department of the National Implement & Vehicle Association to push the cost educational movement more vigorously than it had ever been done before. The details of this plan were announced to the Federation delegates and to members of the National Implement & Vehicle Association at annual meetings of each of these organizations in October, 1912. The committee on terms and credits reported the following resolution of the Sales Managers' Department:

"That, the association shall, through a committee, propose to the National Federation of Retail Implement and Vehicle Dealers' Associations, which will hold its annual convention at Chicago in October, in furthering the work of cost education through the formation of local clubs of dealers, that if the Federation and its constituent associations will undertake to form such local clubs, that for every club organized under the constitution and by-laws provided by the Federation, consisting of not less than ten implement dealers, this association will undertake to provide for such expense to the extent of \$25 for each club so organized. The maximum number of clubs per State, in this initial undertaking, is to be limited to ten, and this proposition is understood to apply to the territory covered by the fifteen organizations now included in the Federation.

“The financial assistance suggested above is not to be provided out of the funds of our association, but is to be raised by solicitation among the members of the association. Furthermore, that in carrying out this plan, it is understood that the sales managers' department of this association will undertake, in cooperation with the various State dealers' associations, to assist them in the formation of said clubs, by providing the personal assistance of some of their members to accompany the officers of said dealers' associations when the formation of a club is contemplated and assistance is desired.”

Continuing, the report of the committee on terms and credits read as follows:

You will see by the above resolution that our association is to undertake to help bear the expense of the organization of local clubs in fifteen of the retail dealers' associations, to the extent of ten in each association, if called on to do so. They also have offered to provide the personal assistance of some of our members to accompany the officers of said dealers' associations to help in the formation of these clubs contemplated, if this help is desired.

This proposition was presented to the Federation on Oct. 9, at the annual meeting in Chicago, and the Federation accepted same, and, as was expressed by one of the delegates, “This was the most valuable aid that manufacturers have ever offered to the retail dealer, not alone considering it from the standpoint of the money we were going to contribute but the personal assistance we offered in this work”—because they felt that along with our contributions is bound to come our personal efforts in other directions.

Your committee feels that this is one of the most advanced steps ever taken by this, or any other association, to better the business condition of its customers, and will do more to do away with misunderstandings that arise from time to time between the manufacturer and the dealer, than any other one thing. To carry on this work contemplated it will not alone require the raising of the funds that we have agreed to furnish, but it will entail a considerable amount of extra work on the part of our secretary and general manager, and this committee wants to recommend that our convention goes on record approving of this plan and authorizing the establishment of a department in our organization especially equipped to help further this work of the formation of local clubs, and that it be done right away.

The chairman of the committee explained this plan of the sales managers' department to carry the cost educational movement to dealers who could not be reached in any other way. He is reported to have declared that, with the assistance of the National Implement & Vehicle Association, the retail implement dealers' organizations, through the formation of local clubs, would extend until within five years fully 75 per cent of all the retail implement dealers in the United States would be in touch with modern business methods.



At this convention the members of the association adopted a resolution which read as follows:

Whereas, we believe the most economical and satisfactory way to place our goods in the hands of the consumer is through the retail dealers, and as so much depends upon his welfare, we favor any movement that tends to better conditions existing in the retail trade; therefore

*Be it resolved,* That we approve the action of the executive committee in its effort to assist the officers of the retail associations in the establishment of local clubs, and that we favor the opening of a department in our organization especially equipped to take up this work, and also urge the hearty cooperation of all of our members from sales managers to traveling salesmen to the end that the desired improvement may be attained at once.

As indicated in the report of the committee quoted above, the proposition of the manufacturers was accepted by the Federation. It was reported that in the discussion unanimous opposition was shown to local clubs making any effort to regulate prices, as it was thought that "this was not only unlawful, but had proved impracticable, having caused the dissolution of every club that had undertaken it." The Federation delegates adopted the following resolution:

Exact knowledge of selling cost is vital to success, and there is no other place where cost accounting can be learned so well as in the local club. But no club and no dealers' association has ever been successful in fixing prices. Never try it. Be honest with each other and with yourselves. Learn to know exactly what it costs you to do business, and the retail prices will take care of themselves.

A committee was appointed to work out the details of the plan proposed by the sales managers, and it was decided that each club to be formed thereunder should be required to adopt the constitution and by-laws recommended by the National Federation. (See Exhibit 25.) These articles of association provide as follows:

No article or by-laws shall be adopted which will conflict with the regulations of the constituent association under which this club is organized, nor with those of the National Federation of Retail Implement and Vehicle Dealers' Associations, of which it is a member.

Furthermore, the articles of association recommended by the Federation for adoption by the constituent State and interstate associations provide:

SECTION 1. No rules, regulations or by-laws shall be adopted in any manner stifling competition, limiting production, restraining trade, regulating prices, or pooling profits.

SECTION 2. No coercive measures of any kind shall be practiced or adopted toward any retailer, either to induce him to join the association, or to buy or to refrain from buying of any particular manufacturer or wholesaler. Nor shall any discrimi-

natory practices on the part of this association be used or allowed against any retailer for the reason that he may not be a member of the association, or to induce or persuade him to become such member.

SECTION 3. No promises or agreements of any kind shall be requisite to membership in this association, nor shall any penalties be imposed upon its members for any cause whatsoever.

In referring to this plan of cooperation between the National Federation and the National Implement & Vehicle Association in extending the local-club movement, the secretary of the Western association in his annual report to the members of that association in January, 1913, made a statement which was in part as follows:

Among the very important things accomplished the past year is securing the cooperation of the manufacturers in the local club movement. Their willingness to assist shows that they are interested in the retail dealer and that they look upon him as a part of their business organization. That well-organized local clubs can be made to revolutionize the implement business has been demonstrated in many localities, and manufacturers have come to believe that it is worth while to render assistance in advancing this work, and surely dealers should show their interest. The proposition which was presented by the sales managers' committee of the National Implement and Vehicle Association to the National Federation and approved by that body after a full and free discussion contemplates both personal and financial assistance. I regard the benefit to be derived from this offer of assistance to be twofold. It brings the sales manager in closer touch with the retail trade: not only will they assist in organizing local clubs and drop a few hints about cost accounting, etc., but they will come into closer contact with the irregularities of the business. When they and their representatives go into the local club meetings they will learn what the element of unrest is that is causing so much trouble and, if only for their own protection, will seek a remedy.

I want to go upon record as characterizing this movement as the greatest ever undertaken to bring about better conditions. The manufacturers have gone into it with enthusiasm. They see in it wonderful possibilities if only dealers will do their part, and I beg of you to do it. With further reference to this I can not do better than quote from my report to the Federation: "There is no need of our taking this advance step in association work in a lukewarm sort of way. We are going to have to show that we mean business if we expect the cooperation of the manufacturers, for it is going to cost them a large sum of money and they expect results."

At this meeting the secretary and general manager of the National Implement & Vehicle Association also addressed the members of the Western association on this subject. He spoke in part as follows:

I believe the Western association was the originator of the local-club idea. Anyway, it is simply a little closer organization—a getting together of your neighbors, a getting together with the man down the street who sells at a less price than you;

it is simply getting together with him and figuring on the cost of doing business.

The question is, How can the dealer make a fair profit? Other things are minor. To start in and talk of selling prices is absolutely illegal and absolutely unnecessary, but you can fix in your mind and in the mind of your competitor that an article that cost \$40 can not be sold for \$39. The trouble is we do not know where that \$40 line is, and the local club is the solution.

This thing has been bearing upon the minds of the manufacturers for a long time. Don't you think that they are unaware of the catalog house competition and other kinds of competition; don't you believe that they are simply trying to get all the price they can out of you. They have found that through economic waste the retail dealer throughout the country is failing at the rate of 25 to 33 $\frac{1}{3}$  per cent every year. Now, that means to them that new dealers are coming in to take their place, and results in a disarranging of business. It is the independent competitor that you have the least to fear from. Now to assure you of the sympathy and cooperation of the manufacturers, they will pay \$25 toward the establishment of each local club, and as a starter will allow you that for each local club of ten in each association territory, that is clubs that approximate ten persons to the club.

Now just think if you take advantage of that offer and organize that many clubs over this whole territory what a help it will be to you! This is a business proposition. The manufacturers are putting in their money to assure you of the cooperation of the National Implement and Vehicle Association, which represents the manufacturers. They have planned to set apart a department in that association, with competent help in charge, to act with the State secretary.

At the annual meeting of the National Federation in October, 1913, the secretary reported that abundant evidence had been furnished of the wisdom of the plan of the manufacturers' association to advance the local-club movement. Forty local clubs had been organized during the year under the special offer of the manufacturers.<sup>1</sup> One-half of this number of clubs had been organized in the territory covered by the Western and Minnesota associations. Eight clubs had been formed in Iowa, four in Wisconsin, three in Illinois, two each in Michigan and the Omaha jobbing territory, and one in Colorado. Furthermore, the secretary asserted that the dealers were on the right track in encouraging local organization; that it was the only way in which mercantile knowledge could be brought to the attention of a certain class of dealers.

At a conference between the delegates to the annual meeting of the Federation and a committee of the National Implement & Vehicle Association in October, 1913, one of the dealers asserted that one of the important problems of the local clubs was to maintain interest on the part of their members. He stated that sugges-

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<sup>1</sup> In this connection, see Exhibit 30.

tions had been made for the employment of a local-club organizer or a superintendent. One of the manufacturers replied that if the dealers did not take sufficient interest in their clubs to keep them going, there was no way in which they could be maintained. He stated that the manufacturers were showing increased interest in the local-club movement and that the National Implement & Vehicle Association was prepared to renew its offer of financial assistance in the organization of local clubs and was making plans to extend the local-club movement.

In October, 1914, the executive committee of the National Implement & Vehicle Association reported that during the preceding year the association had contributed over \$1,200 to the cost-educational work among the dealers and recommended that the work should be continued during the ensuing year. As shown elsewhere (see p. 53), the furnishing of information to the retail trade on the subject of cost accounting is one of the functions contemplated for a department or bureau of the National Implement & Vehicle Association, a plan which was referred to with approval by the president and the committee on manufacturing costs at the annual convention in October, 1914.

The secretary of the Federation of dealers' associations in his report to the delegates present at the annual meeting of that organization in October, 1914, stated that the sentiment in favor of local organization among the dealers was growing, that the work done by many of the local clubs was having its influence, and that the assistance rendered by the manufacturers had given the work an impetus. He stated that the chief reason why more clubs had not been organized was because of lack of funds. He asserted that the most effective way to organize was to place an organizer in the field, but that few of the associations had the money for that purpose. The secretary of the National Implement & Vehicle Association promised the continued financial assistance of the manufacturers' association in the extension of local clubs.

At this meeting, the Federation delegates, after discussing the Stevens bill pending in Congress to permit manufacturers of trade-marked goods to determine resale prices at which their products were sold, decided that the measure would be of no benefit to the implement trade, and they tabled a motion to approve the bill.<sup>1</sup> At this meeting they subsequently adopted a resolution asserting the belief that—

No man is considered a good dealer who does not know the cost of doing business. The place to learn this is the local club. \* \* \* we urge upon our several official boards the supreme importance of pushing the local club movement during the coming winter far more strenuously than ever before.

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<sup>1</sup> In January, 1915, however, the Western association went on record in favor of the Stevens bill. (See p. 208.)

**Section 6. Significance of cost suggestions as a basis for retail prices.**

The ostensible purpose of the campaign for cost education is to prevent inexperienced and unbusinesslike dealers from selling at prices that do not include full allowance for all elements of expense. As already indicated, however, the "cost suggestions" of the Cost Educational Association recommend the inclusion of allowances for interest on the investment, rent of buildings owned and used in the business, and a salary for the proprietor. Some of these items are not properly a part of the dealer's cost. Indeed, the cost of a machine computed on the basis recommended is practically equivalent to a fair selling price. This fact strongly supports the view that the cost-educational movement has been adopted as a discreet method of determining prices, and tends to produce results hardly distinguishable from those produced by a price agreement among competing retailers. This fact also explains why so much attention has been given by the organized manufacturers, as well as by dealers, to the formation of local clubs as a means of securing the adoption of this cost-finding method by all dealers competing with each other in their respective localities.

The public concern in this method of determining retail prices is the same as in the method of computing wholesale prices recommended by the National Implement & Vehicle Association for adoption by manufacturers, for it is easy to see that when dealers discuss the relation of costs and prices there must often be a strong temptation to have some sort of an understanding regarding selling prices. That there is a tendency to attempt such understandings by members of local clubs is admitted. In this connection, one of the manufacturers belonging to the National Implement & Vehicle Association who has been most active in the local-club and cost-educational movement, in an address at a meeting of the Tri-State Vehicle & Implement Dealers' Association in the latter part of 1912, is quoted in part as follows:

From the experience I gained last winter in assisting in organizing some local county clubs in my own State of Wisconsin, there is one thing I wish to warn you about, and that is the tendency to establish a uniform retail price on the main goods in your line.

Now, first of all, this is illegal, impracticable and absolutely unnecessary. Every man should make his own prices, based on his costs and expense of doing business (which is a part of the costs), and then add whatever profit he wishes to make, and let his competitor work along the same line. There are many other very important and valuable things that can be done by cooperative work in these clubs, which will justify their existence and be of value to the dealer living in the counties, and who have

a membership in them. Some of the things that they can take up that I might suggest at this time, would be first, the agreement to get settlement for all goods on delivery, either by cash or note, the value of which is over ten dollars.

In February, 1913, the same manufacturer, who was then chairman of the executive committee of the National Implement & Vehicle Association, in writing to the secretary of that association, made the following statement on the subject of price discussions at meetings of local clubs:

The writer has noticed this tendency of the dealers to talk about price agreements at all the meetings we have been to and we have made it a point to show them that it is impossible and also impracticable.

Apparently to guard against the danger of violating the antitrust laws which may arise because of this tendency, the National Implement & Vehicle Association has made it obligatory that all local clubs of dealers that are formed under its offer of financial assistance shall adopt the constitution and by-laws for such clubs prepared by the National Federation. In this connection, the chairman of the executive committee of the National Implement & Vehicle Association just mentioned, in writing to the secretary of that association in November, 1912, said in part:

As intimated to you the other day in the office, I am rather inclined to believe you will find that the Michigan Association has had some very unfavorable experience in starting local clubs, and we presume the reason can be very easily traced to the fact that they are using the old method of conducting these meetings.

In connection with this letter, I was going to ask if you had a copy of the Federation's constitution and by-laws. I think you should have some of these printed right away if Mr. Hodge [the secretary of the Federation] is unable to furnish you with a supply.

I do not know but what I would make some little changes in minor things in the copy which you will readily see when you look it over. I think it's very important that we insert that all clubs, to which we are to furnish financial or personal help, must be organized under the constitution and by-laws, as provided for the Federation. This will be our protection in case the Government should see fit to investigate any of these clubs.

The organized manufacturers take the position that prices shall not be discussed at local-club meetings, except in relation to the cost of doing business, and that no agreements or understandings should in any way be entered into. They claim that agreements or understandings are superfluous; that all that is necessary is by the study of costs to create in the dealer a realizing sense of the fact that there is a dead line below which goods can not be sold except at a loss. They allege that the study of costs is the most effective way of preventing price cutting. The reason for this exists in the fact that

the computation of costs on the plan recommended furnishes a figure at which the dealer can sell at a profit. In view of this situation, the formal articles of association of the local clubs are probably sufficient to afford some guaranty against price agreements in cases where dealers recognize the possibilities of profit in the cost suggestions originally prepared by the Cost Educational Association, especially when, through the maintenance of local clubs, every dealer in any locality can be induced to adopt these suggestions in fixing his prices. It should be pointed out, however, that this does not mean the establishment of uniform retail prices so long as each dealer bases his prices upon his own costs. On the other hand, attention should be called to the fact that it is impossible to determine whether the dealers do actually base their prices upon their own costs or whether prices are based on the cost of other dealers, which may be disclosed to competitors in the interchange of information at meetings of the local club.

It appears that there has been no direct effort to establish a definite percentage of selling price as a standard rate of selling cost for adoption by all dealers. From time to time implement trade papers have published average percentages compiled from the reports of a considerable number of individual dealers, and in a general letter sent to local clubs on May 15, 1914, the secretary of the National Implement & Vehicle Association said that 20 clubs had reported their average costs of doing business at figures ranging from 14 per cent to 20 per cent. The average was 16.9 per cent. The secretary added:

No dealer, however, should accept this average for finding the selling prices of his lines, but study his own costs and use the figures thus derived. The Local Club which knows its average cost of doing business is progressing. *Has Your Club Got That Far?*

The apparent implication of this suggestion is to call the attention of the dealer to the advantage of using the average cost of his local club in fixing his prices.

While the cost-educational movement has various aspects, the important fact to be considered is that the method of fixing prices through cooperative study of costs is not merely susceptible of abuse in particular cases, but directly militates against independent action on the part of competitors.





# EXHIBITS.

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## EXHIBIT 1.

### CONSTITUTION AND BY-LAWS OF THE NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION.

#### CONSTITUTION.

##### ARTICLE I.

This association shall be known as the National Implement and Vehicle Association of the United States of America.

##### ARTICLE II.

The object of this association shall be to take suitable and timely notice of, and action upon, matters of legislation, national and state; matters concerning freight and transportation, matters of educational interest pertaining to trade and agriculture, and all those matters attention to which, and action upon which, will protect or promote the interests of its members, and to foster and promote the interests of American agriculture and agriculturists.

##### ARTICLE III.

SECTION 1.<sup>1</sup> *Active members* of this association shall consist of two classes:

Members of Class I shall be persons, firms and incorporated companies engaged in the manufacture and sale of agricultural implements, vehicles and lines allied thereto at wholesale.

Members of Class II shall be persons, firms, incorporated companies, branch houses or general agencies, not manufacturers, engaged in the jobbing, wholesaling or distribution of agricultural implements, vehicles or lines allied thereto.

Members of this class shall be entitled to all privileges of members of Class I, except that they may not vote at elections or hold office.

SECTION 2. *Associate members* of this association shall be persons or firms engaged in the manufacture and sale of merchandise, materials or accessories used or sold by the active members but who are not in competition with them.

SECTION 3. The association may, by vote, admit to honorary membership any person who, from eminence, shall seem entitled to such

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<sup>1</sup> Sec. 1 as amended and adopted at the annual convention, Oct. 19, 1911.

consideration, and such honorary membership shall confer all the rights and privileges of active members during life unless withdrawn for cause. But no more than two persons shall be admitted in any one year.

#### ARTICLE IV.

**SECTION 1.** The officers of the association shall be a president and twelve vice-presidents, an executive committee of twelve, a treasurer a secretary and general manager and a chairman of the executive committee, all to be elected by the ballot of the association, except the secretary and general manager and chairman of the executive committee. The president, vice-presidents and treasurer shall be elected for a term of one year. The members of the executive committee shall be elected for a term of three years. Four members of the committee shall be elected each year for three years. The time of service of all officers to commence with the closing of the annual meeting at which they are chosen. The secretary and general manager shall be appointed by the executive committee.

**SECTION 2.** A nominating committee of five shall be selected by the association to present names to be voted for to fill the offices of president, vice-presidents, treasurer and members of the executive committee.

**SECTION 3.** The president shall be a member of the executive committee.

**SECTION 4.** The members of the executive committee shall elect their chairman from among their members and also have power to fill any vacancy which shall be occasioned by the death or resignation of any member of that committee or any other cause.

#### ARTICLE V.

The constitution may be altered or amended as follows: The desired change must be first submitted to the executive committee for its consideration, and if said executive committee recommend the adoption of the change, a copy of such change must then be mailed by the secretary to each member of the association at least thirty days in advance of the annual meeting, and at least two-thirds of the members present at such meeting must vote in favor of such change before it shall become a part of the constitution.

#### BY-LAWS.

##### ARTICLE I.—OFFICERS OF THE ASSOCIATION.

**SECTION 1.** The officers of the association shall be a president and twelve vice-presidents, a board of twelve directors, which shall be designated as an executive committee; a treasurer, a secretary and general manager, and a chairman of the executive committee.

**SEC. 2.** The president shall be ex-officio member of the executive committee.

##### ARTICLE II.—DUTIES OF OFFICERS.

**SECTION 1.** The president shall preside at all meetings of the association.

SEC. 2. The president shall sign all papers which are necessary for the association to sign under seal attested by the secretary.

SEC. 3. In the absence or inability of the president to act, a vice-president, following the order of election, shall preside.

SEC. 4. The chairman of the executive committee shall preside at all meetings of the executive committee; he shall have power to call the committee together and shall be the chief executive officer of the association for the year.

SEC. 5. The secretary and general manager shall perform all duties common to that office, and shall have supervision of all work of the association, and shall also be an ex-officio member of all committees. He shall have custody of all books, records, also the corporate seal, or other property of the association. He shall have power to engage and discharge all help employed in the conduct of the work, and shall fix their compensation subject to the approval of the executive committee. In all matters requiring immediate action he, with the president and chairman of the executive committee, shall constitute an advisory committee, to determine the course to be taken.

SEC. 6. The treasurer shall have charge of all funds of the association, and shall pay them out on vouchers made by the secretary and general manager, and shall make a report on the condition of funds at each annual meeting or when called upon by the executive committee. The treasurer shall give bond in the amount fixed by the executive committee, the expense of obtaining which shall be paid by the association.

SEC. 7. It shall be the duty of the executive committee to see that the objects of the association are carried out to the best of their ability. They shall have entire control of and give attention to internal affairs of the association, and shall appoint the secretary and general manager and fix his compensation, also committees to carry out the various objects of the association, and shall be at liberty to place on such committees members of the association not members of the executive committee, and shall designate the place for the annual meeting unless otherwise directed by the votes of the association. They may admit new members and report the names of such members at the next meeting of the association, and they shall have the accounts of the treasurer audited at least once in each year. They shall also deal with all resignations and withdrawals and report results at the next general meeting of the association.

#### ARTICLE III.—ELECTION OF OFFICERS.

SECTION 1. The president, vice-presidents, treasurer and chairman of the executive committee shall be elected at the annual meeting of the association by the members thereof for a period of one year, and the members of the executive committee shall be elected as follows: There shall be elected at the first meeting of the association twelve members, four for a period of one year, four for a period of two years and four for a period of three years, and at each annual election after the first election in 1912 there shall be elected four directors for a period of three years each.

SEC. 2. The chairman of the executive committee shall hold his office for a period of one year and until his successor is elected and qualified. Should the office of chairman of this committee become

vacant for any reason, the members of the executive committee shall have power to elect one of their number as chairman to serve until the next annual meeting of the association.

SEC. 3. The secretary and general manager shall be appointed by the executive committee.

SEC. 4. If a vacancy occurs in the executive committee or in the office of treasurer, the same may be filled by the executive committee until the next general election.

SEC. 5. At the annual meeting of the association a nominating committee of five shall be selected by the association to present names to be voted for to fill the offices of president, vice-presidents, treasurer and members of the executive committee.

#### ARTICLE IV.—MEETINGS.

SECTION 1. The annual meeting of the association shall be held on the fourth Tuesday in October each year, unless the executive committee, for good cause, shall be compelled to change the date.

SEC. 2. All general meetings of the association shall be held at such places as shall be designated at a general meeting of the association, but if no place is selected for the holding of such meeting, or it becomes impracticable to hold such meeting at the place designated, then such general meeting shall be held at such time and place as the executive committee may designate.

SEC. 3. Special meetings of the association shall be called by the president at the request of the executive committee or at the written request of twenty-five members of the association, such call to be in writing and to state the object of such meeting, and a copy of the same to be mailed to each member at least ten days prior to the date of such meeting.

SEC. 4. At all general meetings of the association, any number of members present shall constitute a quorum for the transaction of business. At any special meeting of the association at least twenty-five members shall constitute a quorum for the transaction of business.

SEC. 5. Meetings of the executive committee may be held upon call of the chairman of the executive committee, upon the secretary giving three days' notice to the members of such committee, stating the object for which said meeting is called.

SEC. 6. A majority of the members of the executive committee shall constitute a quorum for the transaction of business.

#### ARTICLE V.—MEMBERS.

SECTION 1. The membership of the association shall be divided into three classes, viz.: active members, associate members, and honorary members.

SEC. 2. Active members of this association shall consist of two classes:

Members of Class I shall be persons, firms, and incorporated companies engaged in the manufacture and sale of agricultural implements, vehicles, and lines allied thereto at wholesale.

Members of Class II shall be persons, firms, incorporated companies, branch houses or general agencies, not manufacturers, engaged in the jobbing, wholesaling, or distribution of agricultural

implements, vehicles, or lines allied thereto. Members of this class shall be entitled to all privileges of members of Class I, except that they may not vote at elections or hold office.

SEC. 3. Associate members of this association shall be persons or firms engaged in the manufacture and sale of merchandise, materials, or accessories used or sold by the active members but who are not in competition with them.

SEC. 4. The association may, by vote, admit to honorary membership any person, who, from eminence, shall seem entitled to such consideration, and such honorary membership shall confer all the rights and privileges of active members during life unless withdrawn for cause. But no more than two persons shall be admitted in any one year.

SEC. 5. New members of the association may be admitted at any time by the executive committee in such manner and form as the executive committee shall prescribe. All resignations or withdrawals from membership will be subject to the action of the executive committee.

#### ARTICLE VI.—DUES.

SECTION 1—A. *Active Members of Class I.* Each incorporated company having a paid-in capital stock and surplus not exceeding \$50,000, each individual manufacturer and each incorporated firm engaged in manufacturing agricultural implements, vehicles and lines allied thereto, shall, upon becoming a member, pay to the association annual dues amounting to \$25; those having a capital and surplus of more than

\$50,000 and less than	\$100,000 shall pay	\$50
100,000 and less than	200,000 shall pay	75
200,000 and less than	300,000 shall pay	100
300,000 and less than	400,000 shall pay	150
400,000 and less than	500,000 shall pay	200
500,000 and less than	600,000 shall pay	250
600,000 and less than	700,000 shall pay	300
700,000 and less than	800,000 shall pay	350
800,000 and less than	900,000 shall pay	400
900,000 and less than	1,000,000 shall pay	450
1,000,000 and less than	5,000,000 shall pay	500
5,000,000 or over	shall pay	750

In computing dues under the foregoing schedule consideration will be given as to the amount of capital and surplus employed in the manufacturing of agricultural implements, vehicles and lines allied thereto, and in event of more than one-half of the capital and surplus being employed in the manufacture and sale of lines foreign to implements, vehicles or allied lines and going to a different class of trade, the dues shall be computed on one-half of their capital stock and surplus.

SEC. 1—B. *Active Members of Class II*, consisting of persons, firms, incorporated companies, branch houses or general agencies (not manufacturers) engaged in jobbing, wholesaling or distribution of agricultural implements, vehicles or allied lines, shall, upon becoming a member, pay to the association annual dues of \$50.00.

SEC. 2. Annual dues shall be payable in advance, one-half upon the first day of January and one-half on the first day of July of each

year. Each active member who shall join the association at any time subsequent to the first day of January in any year shall pay to the association the amount of dues as provided in section one of this article pro rata for the unexpired time, but not less than twenty-five dollars.

SEC. 3. The executive committee shall have the power to make from time to time such special assessments against the members of this association in addition to the annual dues as may be necessary to meet the contingent expenses of the association. Such assessments shall be made pro rata on the same basis as fixed for dues; provided, that the total amount so assessed by the executive committee in any one year shall not exceed one-half the amount of the annual dues paid by the members, except when directed to do so by two-thirds of the members present at any meeting of the association.

SEC. 4. *Associate Members* will be entitled to all social privileges of the association and to attend all general meetings of the association, except those of an executive character. This membership does not carry with it the privilege of voting. A nominal fee of \$15.00 annually, payable January 1, will be charged associate members.

SEC. 5. The dues provided for in the foregoing sections of this Article shall be for the year, and no person, firm or corporation shall be permitted to withdraw so long as any dues or obligations to the association remain outstanding.

#### ARTICLE VII.—CORPORATE SEAL.

SECTION 1. The corporate seal of this association shall have engraved thereon NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION, U. S. A., and in the center the word "SEAL." It shall be kept by the secretary of the association, and shall be affixed to all papers or documents that may be required to be executed under the corporate seal of the association.

#### ARTICLE VIII.—DELINQUENT MEMBERS.

SECTION 1. A list of members delinquent in the payment of dues or assessments will be presented by the secretary to the executive committee from time to time for such action as the executive committee may wish to take.

#### ARTICLE IX.

SECTION 1. All resolutions to be presented to the annual meeting of the association must first be submitted to the committee on resolutions.

#### ARTICLE X.

SECTION 1. "Robert's Rules of Order" shall govern all such proceedings.

#### ARTICLE XI.

SECTION 1. The By-Laws may be amended at any meeting of the association by a majority vote, thirty days' notice having been given the members of the association of such proposed amendment, together with a copy of the proposed amendment.

*Sept. 5, 1913.*

## EXHIBIT 2,

CONSTITUTION AND BY-LAWS OF THE WAGON DEPARTMENT OF  
THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION.

## CONSTITUTION.

## ARTICLE 1.

This organization shall be known as the Wagon Department of the National Implement and Vehicle Association.

## ARTICLE 2.

The object of this Department shall be the promotion of the interests of the wagon manufacturers.

## ARTICLE 3.

The members of this Department shall be persons, firms and corporations engaged in the manufacture of wagons, also members of the National Implement and Vehicle Association. Each firm or corporation shall be entitled to one vote only.

## ARTICLE 4.

SECTION 1. The officers of this Department shall be a president, vice president, secretary-treasurer, all of whom shall be elected at the annual meeting to serve one year, and shall perform the duties usually assigned to such officers.

SECTION 2. There shall be an executive committee of five, composed of the president, vice president, secretary-treasurer, and two others, who shall be elected at each annual meeting to serve for a period of one year. Said executive committee shall elect its chairman from among its own members.

SECTION 3. The members of the executive committee shall have power to fill any vacancy which may be occasioned by the death or resignation of any member of that committee.

## ARTICLE 5.

This constitution may be altered or amended at any annual meeting by an affirmative vote of two-thirds of the members present at such meeting.

## BY-LAWS.

## ARTICLE 1.

The president shall preside at the meetings of the Department; in his absence the vice president shall preside.

## ARTICLE 2.

SECTION 1. It shall be the duty of the executive committee to see that the objects of the Department are carried out to the best of its

ability. It shall have entire control of and give attention to internal affairs of the Department, and shall appoint committees to carry out the various objects of the Department, and shall be at liberty to place on such committees, members of the Department who are not members of the executive committee, and shall designate the place for meetings of the Department, unless otherwise directed by the Department at large.

SECTION 2. The executive committee may admit new members to the Department and report the names of such members at the next meeting of the Department.

#### ARTICLE 3.

SECTION 1. The regular annual meeting of the Department shall be held on the third Wednesday of November in each year in Chicago unless the executive committee, for good cause, should be compelled to change the date.

SECTION 2. Special meetings of the Department shall be called at the request of the executive committee, or a majority thereof, or at the written request of ten members of the Department, and such calls shall be in writing and shall state the object of the meeting, and a copy of same shall be mailed to each member at least ten days prior to the date of such meeting.

#### ARTICLE 4.

SECTION 1. Each member shall, upon the first day of May of each year, pay to the Department, as annual dues, \$1.

SECTION 2. The executive committee shall have the power to make from time to time, such special assessments against the active members of the Department, in addition to annual dues, as may be necessary to meet the contingent expenses of the Department, provided such assessments shall not exceed \$5 in any one year; no other assessments shall be levied except when the committee are so directed to by two-thirds of the members present at any meeting of the Department.

#### ARTICLE 5.

SECTION 1. The secretary-treasurer shall have charge of all funds of the Department and shall pay them out on vouchers approved by the chairman of the executive committee or on order of the executive committee, and shall make a report of the condition of the funds in his hands at each annual meeting of the Department, and whenever called upon to do so by the executive committee.

SECTION 2. The secretary-treasurer shall have a record of the proceedings of all meetings of the Department and of the executive committee, and of all other matters concerning the Department, and he shall issue notifications of all meetings to each member of the Department and shall be allowed all necessary expenses approved by the executive committee.

#### ARTICLE 6.

The Secretary-treasurer shall mention in his annual report the names of such members as shall allow their dues or assessments to



remain unpaid for one year, and all such names shall be dropped from the roll of membership.

## ARTICLE 7.

Robert's Rules of Order shall govern the meetings of this Department.

## ARTICLE 8.

These by-laws may be amended at any annual meeting by a majority of the members present, provided five days' notice shall be given in advance of said meeting by the secretary-treasurer to all members of the association, advising them of the amendments to the by-laws proposed to be made.

## EXHIBIT 3.

**CONSTITUTION AND BY-LAWS OF THE SALES MANAGERS' DEPARTMENT OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION.**

(Adopted February 1, 1912; amended March 18, 1914.)

## CONSTITUTION.

## ARTICLE I.

This organization shall be known as the Sales Managers' Department of the National Implement and Vehicle Association.

## ARTICLE II.

The object of this Department shall be the promotion of the interests of its members and the improvement of conditions.

## ARTICLE III.

The members of this Department shall be persons or concerns who are active members of the Association. The representation of the members at the meetings of the Department shall be persons (not traveling men or house salesmen) having charge of the selling of the product or merchandise handled by the members. Each member or house shall be entitled to one vote only.

## ARTICLE IV.

SEC. 1. The Officers of this Department shall be a President, Vice-President, Secretary-Treasurer, all of whom shall be elected at the Annual Meeting to serve one year, or until their successors are elected and qualify, and shall perform the duties usually assigned to such officers.

SEC. 2. There shall be an Executive Committee of seven, composed of the President, Vice-President, Secretary-Treasurer and four others, who shall be elected at each Annual Meeting to serve for a period of one year. The President of the Department shall be ex-officio chairman of the Executive Committee.

## ARTICLE V.

This Constitution may be altered or amended at any meeting by an affirmative vote of two-thirds of the members present at such meeting, due notice in writing having been given each member by the Secretary-Treasurer thirty days in advance of such meeting of changes proposed.

## BY-LAWS.

## ARTICLE I.

The President shall preside at the meetings of the Department; in his absence, the Vice-President shall preside.

## ARTICLE II.

SEC. 1. It shall be the duty of the Executive Committee to see that the objects of the Department are carried out to the best of its ability. It shall have entire control and give attention to the internal affairs of the Department, and shall appoint committees to carry out the various objects of the Department, and shall be at liberty to place on such committees members of the Department who are not members of the Executive Committee, and shall designate the place for meetings of the Department unless otherwise directed by the Department at large; also, shall have power to fill official vacancies.

SEC. 2. The Executive Committee may admit new members to the Department and report the names of such members at the next meeting of the Department.

## ARTICLE III.

SEC. 1. Regular annual meeting of the Department shall be held on the second Wednesday of October at such place as may be chosen by the Executive Committee.

SEC. 2. There shall be four regular meetings of the Department, to be held on the third Wednesdays of January, March, June and November of each year.

SEC. 3. Special meetings of the Department shall be called at the request of the Executive Committee, or upon the regular request of ten members of the Department, and such calls shall be in writing, and shall state the object of the meeting, and copy of same shall be mailed to each member at least ten days prior to date of such meeting.

SEC. 4. Any annual or regular meeting of the Department may be changed as to time or place of meeting for good cause, by the Executive Committee.

## ARTICLE IV.

SEC. 1. The annual dues of the Department shall be \$5.00, payable May 1st of each year. New members as accepted shall pay at the rate of \$1.00 for each of the regular meetings scheduled to the following May 1st dues, payable in advance.

SEC. 2. The Executive Committee shall have the power to make, from time to time, such special assessments against the active members of the Department, in addition to Annual Dues, as may be necessary to meet the contingent expenses of the Department, provided such assessment shall not exceed \$5.00 in any one year; no other

assessment shall be levied except when the Committee is so directed by two-thirds of the members present at any meeting of the Department.

## ARTICLE V.

SEC. 1. The Secretary-Treasurer shall have charge of all funds of the Department, and shall pay them on vouchers approved by the Chairman of the Executive Committee, or on order of the Executive Committee, and shall make a report of the condition of the funds in his hands at each Annual Meeting of the Department and whenever called upon to do so by the Executive Committee.

SEC. 2. The Secretary-Treasurer shall keep a record of the proceedings of all meetings of the Department and of the Executive Committee, and of all matters concerning the Department, and he shall issue notifications of all meetings to each member of the Department, and shall be allowed all necessary expenses approved by the Executive Committee.

## ARTICLE VI.

The Secretary-Treasurer shall mention, in his annual report, the names of such members as shall allow their dues or assessments to remain unpaid for one year, and all such names shall be dropped from the roll of membership.

## ARTICLE VII.

Robert's Rules of Order shall govern all meetings of this Department.

## ARTICLE VIII.

These By-Laws may be amended at any meeting by a majority of the members present provided thirty days notice shall be given in advance of said meeting by the Secretary-Treasurer to all members of the Department, advising them of the amendments of the By-Laws proposed to be made.

## EXHIBIT 4.

**LIST OF OFFICERS AND COMMITTEES OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.**

## PRESIDENT.

**J. A. Craig, Janesville Machine Co., Janesville, Wis.**

## VICE PRESIDENTS.

W. E. Taylor, Niles & Scott Co., La Porte, Ind.	R. F. Roberts, Randolph Wagon Works, Randolph, Wis.
Wm. F. Hoyt, Dowagiac Drill Co., Dowagiac, Mich.	F. H. Delker, Delker Bros. Buggy Co., Henderson, Ky.
Wm. Loudon, Loudon Machinery Co., Fairfield, Ia.	A. T. Stevens, John Deere Plow Co., St. Louis, Mo.
B. P. Thornhill, Thornhill Wagon Co., Lynchburg, Va.	Francis Farquhar, A. B. Farquhar Co. (Ltd.), York, Pa.
U. H. Brown, Brown Mfg. Co., Zanesville, Ohio.	F. La Bare, Owatonna Mfg. Co., Owatonna, Minn.
C. A. Pattison, Peoria Drill & Seeder Co., Peoria, Ill.	F. N. Taff, Duane H. Nash, Inc., Milington, N. J.

## SECRETARY AND GENERAL MANAGER.

E. W. McCullough, Chicago, Ill.

## TREASURER.

H. N. Wade, U. S. Wind Engine &amp; Pump Co., Batavia, Ill.

## EXECUTIVE COMMITTEE.

S. E. Swayne, chairman, Robinson & Co., Richmond, Ind.	G. A. Ranney, International Harvester Co., Chicago, Ill.
A. J. Brosseau, Gale Mfg. Co., Albion, Mich.	Paul E. Herschel, R. Herschel Mfg. Co., Peoria, Ill.
Joseph Dain, Deere & Co., Moline, Ill.	Geo. R. James, James & Graham Wagon Co., Memphis, Tenn.
H. M. Wallis, J. I. Case Plow Works, Racine, Wis.	C. S. Funk, M. Rumely Co., Chicago, Ill.
C. S. Brantingham, Emerson-Brantingham Co., Rockford, Ill.	W. H. Stackhouse, French & Hecht, Springfield, Ohio.
F. E. Myers, F. E. Myers & Bro., Ashland, Ohio.	A. B. McLean, Roderick Lean Mfg. Co., Mansfield, Ohio.

## STANDING COMMITTEES.

*Advisory committee (former presidents).*

H. M. Kinney, chairman, Winona Wagon Co., Winona, Minn.	C. F. Huhlein, B. F. Avery & Sons, Louisville, Ky.
Wm. Butterworth, Deere & Co., Moline, Ill.	F. E. Myers, F. E. Myers & Bro., Ashland, Ohio.
F. C. Johnson, American Seeding Machine Co., Springfield, Ohio.	W. S. Thomas, The Thomas Mfg. Co., Springfield, Ohio.
E. D. Metcalf, International Harvester Co., Auburn, N. Y.	Jas. A. Carr, American Seeding Machine Co., Springfield, Ohio.
Newell Sanders, Newell Sanders Plow Co., Chattanooga, Tenn.	

*Agricultural extension.*

G. A. Ranney, chairman, International Harvester Co., Chicago, Ill.	P. G. Holden, International Harvester Co., Chicago, Ill.
Jas. A. Carr, vice chairman, American Seeding Machine Co., Richmond, Ind.	W. E. Taylor, Deere & Co., Moline, Ill.
L. N. Burns, J. I. Case Plow Works, Racine, Wis.	

*Attorneys and litigation.*

C. S. Brantingham, chairman, Emerson-Brantingham Co., Rockford, Ill.	A. Hirshheimer, La Crosse Plow Co., La Crosse, Wis.
Wm. Butterworth, vice chairman, Deere & Co., Moline, Ill.	Newell Sanders, Newell Sanders Plow Co., Chattanooga, Tenn.

*Credits and collections.*

M. R. D. Owings, chairman, M. Rumely Co., Chicago, Ill.	E. C. Mosher, Sandwich Mfg. Co., Sandwich, Ill.
W. M. Outon, vice chairman, John Deere Plow Co., Moline, Ill.	J. K. Scoggan, B. F. Avery & Sons, Louisville, Ky.
F. H. Farnsworth, Janesville Machine Co., Janesville, Wis.	C. H. Speck, R. Herschel Mfg. Co., Peoria, Ill.
C. A. Hines, Roderick Lean Mfg. Co., Mansfield, Ohio.	

*Dealers' associations.*

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| <p>W. S. Thomas, chairman, The Thomas Mfg. Co., Springfield, Ohio.<br/> A. J. Brosseau, vice chairman, Gale Mfg. Co., Albion, Mich.<br/> Wm. Black, B. F. Avery &amp; Sons, Louisville, Ky.<br/> F. W. Burg, L. Burg Carriage Co., Dallas City, Ill.<br/> L. N. Burns, J. I. Case Plow Works, Racine, Wis.<br/> W. C. Collins, Keystone Steel &amp; Wire Co., Peoria, Ill.<br/> J. A. Craig, Janesville Machine Co., Janesville, Wis.</p> | <p>W. I. Grove, Milburn Wagon Co., Toledo, Ohio.<br/> J. H. Imus, Ohio Rake Co., Dayton, Ohio.<br/> H. M. Kinney, Winona Wagon Co., Winona, Minn.<br/> R. B. Lourie, John Deere Plow Co., Moline, Ill.<br/> C. D. Velie, Deere &amp; Webber Co., Minneapolis, Minn.<br/> J. D. White, Emerson-Brantingham Co., Rockford, Ill.</p> |
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*Foreign commerce and tariff.*

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| <p>P. E. Herschel, chairman, R. Herschel Mfg. Co., Peoria, Ill.<br/> H. C. Roberts, vice chairman, Avery Co., Peoria, Ill.<br/> M. M. Baker, Holt Mfg. Co., Peoria, Ill.<br/> E. C. Douglas, W. &amp; B. Douglas, Middletown, Conn.<br/> Francis Farquhar, A. B. Farquhar Co. (Ltd.), York, Pa.<br/> R. W. Geauque, Flint &amp; Walling Mfg. Co., Kendallville, Ind.</p> | <p>Juan Homs, Emerson-Brantingham Co., Rockford, Ill.<br/> F. C. Johnson, American Seeding Machine Co., Springfield, Ohio.<br/> Frank Silloway, Deere &amp; Co., Moline, Ill.<br/> A. O. Silver, Silver Mfg. Co., Salem, Ohio.<br/> W. A. Weed, Oliver Chilled Plow Works, South Bend, Ind.</p> |
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*Freight transportation.*

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| <p>W. J. Evans, chairman, National Imp. &amp; Veh. Assn., Chicago.<br/> O. F. Becker, R. Herschel Mfg. Co., Peoria, Ill.<br/> A. F. Bowman, J. I. Case Threshing Mach. Co., Racine, Wis.<br/> C. T. Bradford, International Harvester Co., Chicago, Ill.<br/> F. A. Coapman, The Whitman &amp; Barnes Mfg. Co., Chicago, Ill.<br/> A. R. Ebi, Deere &amp; Co., Moline, Ill.<br/> R. D. Fentress, La Crosse Plow Co., La Crosse, Wis.<br/> R. E. Gephart, A. B. Farquhar Co. (Ltd.), York, Pa.<br/> J. Kanter, Avery Co., Peoria, Ill.<br/> H. W. Klemme, Jos. W. Moon Buggy Co., St. Louis, Mo.</p> | <p>L. R. Martin, Oliver Chilled Plow Works, South Bend, Ind.<br/> J. H. Miller, Emerson-Brantingham Co., Rockford, Ill.<br/> F. S. Pool, Deere &amp; Webber Co., Minneapolis, Minn.<br/> E. G. Schaeffer, Keystone Steel &amp; Wire Co., Peoria, Ill.<br/> G. M. Sherman, Studebaker Corp., South Bend, Ind.<br/> N. Stevenson, B. F. Avery &amp; Sons, Louisville, Ky.<br/> W. W. Tallant, M. Rumely Co., La Porte, Ind.<br/> E. L. Wratten, Mitchell-Lewis Motor Co., Racine, Wis.</p> |
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*Insurance.*

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| <p>A. B. McLean, chairman, Roderick Lean Mfg. Co., Mansfield, Ohio.<br/> H. N. Wade, vice chairman, U. S. Wind Engine &amp; Pump Co., Batavia, Ill.<br/> J. S. Baker, Baker Mfg. Co., Evansville, Wis.</p> | <p>Wm. Butterworth, Deere &amp; Co., Moline, Ill.<br/> E. C. Merwin, The Russell &amp; Co., Massillon, Ohio.<br/> H. W. Suydam, Milburn Wagon Co., Toledo, Ohio.</p> |
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*Manufacturing costs.*

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| <p>Geo. R. James, chairman, James &amp; Graham Wagon Co., Memphis, Tenn.<br/>         G. W. Crampton, vice chairman, Deere &amp; Mansur Co., Moline, Ill.<br/>         W. D. Brinton, International Harvester Co., Chicago, Ill.</p> | <p>C. A. Geiger, Troy Wagon Works Co., Troy, Ohio.<br/>         A. B. Thielens, Studebaker Corp., South Bend, Ind.</p> |
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*Membership.*

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| <p>F. E. Myers, chairman, F. E. Myers &amp; Bro., Ashland, Ohio.<br/>         C. A. Pattison, vice chairman, Peoria Drill &amp; Seeder Co., Peoria, Ill.<br/>         R. S. Buch, A. Buch's Sons Co., Elizabethtown, Pa.<br/>         W. C. Collins, Keystone Steel &amp; Wire Co., Peoria, Ill.</p> | <p>P. E. Herschel, R. Herschel Mfg. Co., Peoria, Ill.<br/>         W. R. Lumry, Associated Mfrs. Co., Waterloo, Iowa.<br/>         F. J. Veal, Stoughton Wagon Co., Stoughton, Wis.</p> |
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*National legislation.*

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| <p>W. H. Stackhouse, chairman, French &amp; Hecht, Springfield, Ohio.<br/>         Jas. A. Carr, vice chairman, American Seeding Machine Co., Richmond, Ind.<br/>         Wm. Butterworth, Deere &amp; Co., Moline, Ill.<br/>         E. P. Curtis, Richardson Mfg. Co., Worcester, Mass.</p> | <p>C. S. Funk, M. Rumely Co., Chicago, Ill.<br/>         C. F. Hublein, B. F. Avery &amp; Sons, Louisville, Ky.<br/>         G. A. Ranney, International Harvester Co., Chicago, Ill.<br/>         Daniel Seltzer, Ohio Cultivator Co., Bellevue, Ohio.</p> |
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*Patents.*

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| <p>Joseph Dain, chairman, Deere &amp; Co., Moline, Ill.<br/>         C. E. Lord, vice chairman, International Harvester Co., Chicago, Ill.<br/>         C. W. Dickinson, La Crosse Plow Co., La Crosse, Wis.</p> | <p>P. A. Myers, F. E. Myers &amp; Bro., Ashland, Ohio.<br/>         E. B. Sawyer, Cushman Motor Works, Lincoln, Nebr.</p> |
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*State legislation.*

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| <p>A. J. Brosseau, chairman, Gale Mfg. Co., Albion, Mich.<br/>         H. C. Stahl, vice chairman, Ohio Cultivator Co., Bellevue, Ohio.<br/>         J. H. Anderson, Anderson Co., St. Paul, Minn.<br/>         F. J. Arend, De Laval Separator Co., New York, N. Y.<br/>         P. N. Curtis, Richardson Mfg. Co., Worcester, Mass.<br/>         C. J. Fulton, Loudon Machinery Co., Fairfield, Iowa.<br/>         H. J. Hirshheimer, La Crosse Plow Works, La Crosse, Wis.<br/>         G. F. Messinger, Messinger Mfg. Co., Tatamy, Pa.</p> | <p>W. M. Miller, Miller Wagon Co., Edina, Mo.<br/>         Jas. E. Rankin, Henderson Wagon Works, Henderson, Ky.<br/>         E. B. Sawyer, Cushman Motor Works, Lincoln, Nebr.<br/>         T. M. Sechler, Sechler Implement &amp; Carriage Co., Moline, Ill.<br/>         W. C. Smith, Vermont Farm Machine Co., Bellows Falls, Vt.<br/>         F. N. Taff, Duane H. Nash (Inc.), Millington, N. J.<br/>         W. E. Taylor, Niles &amp; Scott Co., La Porte, Ind.</p> |
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*Workmen's accident compensation.*

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| <p>G. L. Avery, chairman, Avery Co., Peoria, Ill.<br/>         W. H. Stackhouse, vice chairman, French &amp; Hecht, Springfield, Ohio.<br/>         J. E. Brown, Aultman &amp; Taylor Machinery Co., Mansfield, Ohio.</p> | <p>Jas. A. Carr, American Seeding Machine Co., Richmond, Ind.<br/>         G. W. Mixer, Deere &amp; Co., Moline, Ill.</p> |
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## EXHIBIT 5.

## LIST OF MEMBERS OF THE NATIONAL IMPLEMENT &amp; VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.

## ACTIVE MEMBERS OF CLASS 1.

- Abingdon Wagon Co., Abingdon, Ill.  
 Acme Wagon Co., Emigsville, Pa.  
 American Potato Machinery Co., Hammond, Ind.  
 American Seeding Machine Co., Springfield, Ohio.  
 Anderson Co., St. Paul, Minn.  
 Ann Arbor Machine Co., Ann Arbor, Mich.  
 Appleton Mfg. Co., Batavia, Ill.  
 Aspinwall Mfg. Co., Jackson, Mich.  
 Associated Manufacturers' Co., Waterloo, Iowa.  
 Auburn Wagon Co., The, Martinsburg, W. Va.  
 Aultman & Taylor Machinery Co., The, Mansfield, Ohio.  
 Avery Co., Peoria, Ill.  
 Avery & Sons, B. F., Louisville, Ky.  
 Bailor Plow Mfg. Co., Atchison, Kans.  
 Bain Wagon Co., Kenosha, Wis.  
 Baker Co., The A. D., Swanton, Ohio.  
 Baker Mfg. Co., Evansville, Wis.  
 Bateman Mfg. Co., Grenloch, N. J.  
 Bauer Bros. Co., The, Springfield, Ohio.  
 Blount Plow Works, Evansville, Ind.  
 Bowsher Co., The N. P., South Bend, Ind.  
 Brown Mfg. Co., The, Zanesville, Ohio.  
 Buch's Sons Co., A., Elizabethtown, Pa.  
 Burg Carriage Co., L., Dallas City, Ill.  
 Case Plow Works, J. I., Racine, Wis.  
 Case Threshing Machine Co., J. I., Racine, Wis.  
 Challenge Co., Batavia, Ill.  
 Champion Potato Machinery Co., Hammond, Ind.  
 Clark Carriage Co., J. L., Oshkosh, Wis.  
 Columbia Wagon Co., Columbia, Pa.  
 Columbiana Pump Co., Columbiana, Ohio.  
 Cushman Motor Works, Lincoln, Nebr.  
 Dain Mfg. Co., Ottumwa, Iowa.  
 Deal Buggy Co., The, Jonesville, Mich.  
 Deere & Co., Moline, Ill.  
 Deere & Mansur Co., Moline, Ill.  
 De Laval Separator Co., New York, N. Y.  
 Delker Bros. Buggy Co., Henderson, Ky.  
 Deming Co., The, Salem, Ohio.  
 Dempster Mill Mfg. Co., Beatrice, Nebr.  
 Douglas, W. & B., Middletown, Conn.  
 Dowagiac Drill Co., Dowagiac, Mich.  
 Dunham Co., The, Berea, Ohio.  
 Eckhart Carriage Co., Auburn, Ind.  
 Eddy Plow Co., W., Greenwich, N. Y.  
 Emerson-Brantingham Co., Rockford, Ill.
- Empire Plow Co., Cleveland, Ohio.  
 Eureka Mower Co., Utica, N. Y.  
 Farquhar Co. (Ltd.), The A. B., York, Pa.  
 Flint & Walling Mfg. Co., Kendallville, Ind.  
 Florence Wagon Co., Florence, Ala.  
 Focs Gas Engine Co., The, Springfield, Ohio.  
 French & Hecht, Davenport, Iowa.  
 Gale-Hooper Co., Memphis, Tenn.  
 Gale Mfg. Co., Albion, Mich.  
 Gay Co., S. G., Ottawa, Ill.  
 Gehl Bros. Mfg. Co., West Bend, Wis.  
 Geneva Metal Wheel Co., Geneva, Ohio.  
 Hart Grain Weigher Co., Peoria, Ill.  
 Hartman Mfg. Co., Vincennes, Ind.  
 Havana Metal Wheel Co., Havana, Ill.  
 Henderson Wagon Works, Henderson, Ky.  
 Henry & Allen, Auburn, N. Y.  
 Herschel Mfg. Co., R., Peoria, Ill.  
 Holt Mfg. Co., The, Peoria, Ill.  
 Hoover Mfg. Co., The, Avery, Ohio.  
 Huber Mfg. Co., Marion, Ohio.  
 Indiana Wagon Co., Lafayette, Ind.  
 International Harvester Co., Chicago, Ill.  
 James Mfg. Co., Fort Atkinson, Wis.  
 James & Graham Wagon Co., Memphis, Tenn.  
 Janesville Machine Co., The, Janesville, Wis.  
 Johnson & Field Mfg. Co., Racine, Wis.  
 Joliet Mfg. Co., Joliet, Ill.  
 Kentucky Wagon Mfg. Co., Louisville, Ky.  
 Keystone Steel & Wire Co., Peoria, Ill.  
 King & Hamilton Co., Ottawa, Ill.  
 La Crosse Plow Co., La Crosse, Wis.  
 Lansing Co., Lansing, Mich.  
 Lauson Mfg. Co., The John, New Holstein, Wis.  
 Lean Mfg. Co., Roderick, Mansfield, Ohio.  
 Letz Mfg. Co., Crown Point, Ind.  
 Little Metal Wheel Co., J. R., Quincy, Ill.  
 Louden Machinery Co., Fairfield, Iowa.  
 McClure Co., The, Saginaw, Mich.  
 Madison Plow Co., Madison, Wis.  
 Mast, Focs & Co., Springfield, Ohio.  
 Maytag Co., The, Newton, Iowa.  
 Messinger Mfg. Co., Tatamy, Pa.  
 Milburn Wagon Co., The, Toledo, Ohio.  
 Miller Wagon Co., Edina, Mo.  
 Minnetonna Co., The, Owatonna, Minn.  
 Mitchell Wagon Co., Racine, Wis.





- Canadian Implement Trade, The, Toronto, Ontario.
- Carborundum Co., The, Niagara Falls, N. Y.
- Carnegie Steel Co., Pittsburg, Pa.
- Castle & Co., A. M., Chicago, Ill.
- Chain Belt Co., Milwaukee, Wis.
- Chicago Malleable Castings Co., West Pullman, Ill.
- Chicago Varnish Co., Chicago, Ill.
- Clark Bros. Bolt Co., Milldale, Conn.
- Cleveland Punch & Shear Works Co., The, Cleveland, Ohio.
- Cleveland Steel Tool Co., Cleveland, Ohio.
- Cleveland Wire Spring Co., The, Cleveland, Ohio.
- Colonial Steel Co., Pittsburg, Pa.
- Continental Bolt & Iron Works, Chicago, Ill.
- Cortland Welding Compound Co., Cortland, N. Y.
- Cowin, Frederick & Co., Chicago, Ill.
- Crucible Steel Co. of America, Pittsburg, Pa.
- Detroit Seamless Steel Tubes Co., Detroit, Mich.
- Detroit White Lead Works, Detroit, Mich.
- Devoe & Reynolds Co., Chicago, Ill.
- Dodge Mfg. Co., Mishawaka, Ind.
- Domhoff & Joyce Co., Chicago, Ill.
- Edson Bros., Washington, D. C.
- Farm Implement News Co., Chicago, Ill.
- Farm Implement Publishing Co., Minneapolis, Minn.
- Farm Machinery, St. Louis, Mo.
- Garland Nut & Rivet Co., Pittsburg, Pa.
- Gerts Lumbard Co., Chicago, Ill.
- Gibson, Wm. D., Co., Chicago, Ill.
- Glidden Varnish Co., Cleveland, Ohio.
- Graham Nut Co., Pittsburg, Pa.
- Graton & Knight Mfg. Co., Worcester, Mass.
- Halcomb Steel Co., Chicago, Ill.
- Hanna & Co., M. A., Detroit, Mich.
- Harrow Spring Co., Kalamazoo, Mich.
- Heath & Milligan Mfg. Co., Chicago, Ill.
- Higgins Spring & Axle Co., Racine, Wis.
- Highland Iron & Steel Co., The, Terre Haute, Ind.
- Illinois Steel Co., Chicago, Ill.
- Implement Age Co., The, Springfield, Ohio.
- Implement Trade Journal Co., Kansas City, Mo.
- Inland Steel Co., Chicago, Ill.
- Interstate Iron & Steel Co., Chicago, Ill.
- Jackman & Co., E. S., Chicago, Ill.
- Jones & Laughlin Steel Co., Pittsburg, Pa.
- Kirk-Latty Co., Steubenville, Ohio.
- La Belle Iron Works, Steubenville, Ohio.
- Lackawanna Steel Co., Chicago, Ill.
- Ladew, Estate of Edw. R., Glen Cove, Long Island, N. Y.
- Lake Erie Iron Co., Cleveland, Ohio.
- Link Belt Co., Chicago, Ill.
- Louisiana Lumber Co., Cairo, Ill.
- Lucas & Co., John, Philadelphia, Pa.
- Luehrmann, Chas. F., Hardwood Lumber Co., St. Louis, Mo.
- Michigan Bolt & Nut Works, Detroit, Mich.
- Michigan Sprocket Chain Co., Detroit, Mich.
- Moline Malleable Iron Co., St. Charles, Ill.
- Moline Paint Mfg. Co., Moline, Ill.
- Morris, I. R., Chicago, Ill.
- Mound City Paint & Color Co., St. Louis, Mo.
- Mutual Wheel Co., Moline, Ill.
- National Lead Co., Chicago, Ill.
- National Malleable Castings Co., Chicago, Ill.
- National Tube Co., Chicago, Ill.
- Northwestern Malleable Iron Co., Milwaukee, Wis.
- Norton Co., Chicago, Ill.
- O'Brien Varnish Co., South Bend, Ind.
- Ohio Malleable Iron Co., Columbus, Ohio.
- Oliver Iron & Steel Co., Pittsburg, Pa.
- Oliver Typewriter Co., Chicago, Ill.
- Perfection Spring Co., Cleveland, Ohio.
- Pickands, Brown & Co., Chicago, Ill.
- Pratt & Lambert (Inc.), Chicago, Ill.
- Queen City Varnish Co., Cincinnati, Ohio.
- Racine Lumber & Mfg. Co., Racine, Wis.
- Rand-McNally Co., Chicago, Ill.
- Reeves Pulley Co., Columbus, Ind.
- Reilly & Son, P., Newark, N. J.
- Republic Iron & Steel Co., Pittsburg, Pa.
- Rogers, Brown & Co., Chicago, Ill.
- Russell, Burdsall & Ward Bolt & Nut Co., Port Chester, N. Y.
- Ryerson & Son, Jos. T., Chicago, Ill.
- Safety Emery Wheel Co., The, Springfield, Ohio.
- Salisbury & Co., W. H., Chicago, Ill.
- Scully Steel & Iron Co., Chicago, Ill.
- Shadbolt & Boyd Iron Co., Milwaukee, Wis.
- Sharon Steel Hoop Co., Sharon, Pa.
- Shepard Co., The Henry O., Chicago, Ill.
- Sherwin-Williams Co., The, Chicago, Ill.
- Standard Chain Co., Pittsburg, Pa.
- Standard Tool Co., The, Cleveland, Ohio.
- Standard Varnish Works, Chicago, Ill.
- Tousey Varnish Co., Chicago, Ill.
- Townsend Co., C. C. & E. P., New Brighton, Pa.
- Transue & Williams, Alliance, Ohio.

Union Drawer Steel Co., Beaver Falls, Pa.	Whitaker Mfg. Co., The, Chicago, Ill.
U. S. Pressed Steel Co., Ypsilanti, Mich.	Whiting Foundry Equipment Co., Harvey, Ill.
Universal Rolling Mill Co., Bridgeville, Pa.	Williams, White & Co., Moline, Ill.
Upson Nut Co., The, Cleveland, Ohio.	Wisconsin Steel Co., Chicago, Ill.
Warren Iron & Steel Co., Warren, Ohio.	Youngstown Iron & Steel Co., Youngstown, Ohio.
Western Foundry Co., The, Chicago, Ill.	

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**EXHIBIT 6.**
**LIST OF MEMBERS OF THE FARM WAGON DEPARTMENT OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.**

Abingdon Wagon Co., Abingdon, Ill.	Milburn Wagon Co., Toledo, Ohio.
Acme Wagon Co., Emigsville, Pa.	Miller Wagon Co., Edina, Mo.
Auburn Wagon Co., Martinsburg, W. Va.	Mitchell Wagon Co., Racine, Wis.
Bain Wagon Co., Kenosha, Wis.	Northwestern Mfg. Co., Fort Atkinson, Wis.
Brown Mfg. Co., Zanesville, Ohio.	Pekin Wagon Co., Pekin, Ill.
Columbia Wagon Co., Columbia, Pa.	Randolph Wagon Works, Randolph, Wis.
John Deere Wagon Co. (Deere & Co.), Moline, Ill.	Schuttler Co., Peter, Chicago, Ill.
Emerson-Brantingham Co., Rockford, Ill.	Stoughton Wagon Co., Stoughton, Wis.
Henderson Wagon Works, Henderson, Ky.	Studebaker Corp., South Bend, Ind.
Indiana Wagon Co., La Fayette, Ind.	Sweet Co., B. F. & H. L., Fond du Lac, Wis.
International Harvester Co., Chicago, Ill.	Thornhill Wagon Co., Lynchburg, Va.
James & Graham Wagon Co., Memphis, Tenn.	Troy Wagon Co., Troy, Ohio.
Kentucky Wagon Mfg. Co., Louisville, Ky.	Turnbull Wagon Co., Defiance, Ohio.
	Turney & Co., Joel, Fairfield, Iowa.
	Winona Wagon Co., Winona, Minn.

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**EXHIBIT 7.**
**LIST OF MEMBERS OF THE PLOW AND TILLAGE IMPLEMENT DEPARTMENT OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.**

American Seeding Machine Co., Springfield, Ohio.	La Crosse Plow Co., La Crosse, Wis.
Avery & Sons, B. F., Louisville, Ky.	Lean Mfg. Co., Roderick, Mansfield, Ohio.
Bailor Plow Mfg. Co., Atchison, Kans.	Messinger Mfg. Co., Tatamy, Pa.
Brown Mfg. Co., Zanesville, Ohio.	Nash (Inc.), Duane H., Millington, N. J.
Case Plow Works, J. I., Racine, Wis.	Ohio Rake Co., Dayton, Ohio.
Deere & Co., Moline, Ill.	Oliver Chilled Plow Co., South Bend, Ind.
Deere & Mansur Co., Moline, Ill.	Pattee Plow Co., Monmouth, Ill.
Dempster Mill Mfg. Co., Beatrice, Nebr.	Peru Plow & Wheel Co., Peru, Ill.
Eddy Plow Co., W., Greenwich, N. Y.	Rumely Company, M., Chicago, Ill.
Emerson-Brantingham Co., Rockford, Ill.	Sechler Implement & Carriage Co., D. M., Moline, Ill.
Empire Plow Co., Cleveland, Ohio.	Sterling Mfg. Co., Sterling, Ill.
Farquhar Co. (Ltd.), A. B., York, Pa.	Sanders Plow Co., Newell, Chattanooga, Tenn.
Gale Mfg. Co., Albion, Mich.	Tower & Sons Co., J. D., Mendota, Ill.
Hartman Mfg. Co., Vincennes, Ind.	
International Harvester Co., Chicago, Ill.	
Janesville Machine Co., Janesville, Wis.	

## EXHIBIT 8.

## LIST OF MEMBERS OF THE GRAIN DRILL AND SEEDER DEPARTMENT OF THE NATIONAL IMPLEMENT &amp; VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.

American Seeding Machine Co., Springfield, Ohio.	La Crosse Plow Co., La Crosse, Wis.
Deere & Co., Moline, Ill.	Owatonna Mfg. Co., Owatonna, Minn.
Dempster Mill Mfg. Co., Beatrice, Nebr.	Peoria Drill & Seeder Co., Peoria, Ill.
Dowagiac Drill Co., Dowagiac, Mich.	Sterling Mfg. Co., Sterling, Ill.
Emerson-Brantingham Co., Rockford, Ill.	Thomas Mfg. Co., Springfield, Ohio.
Farquhar Co. (Ltd.), A. B., York, Pa.	Tiger Drill Mfg. Co., Beaver Dam, Wis.
International Harvester Co., Chicago, Ill.	Van Brunt Mfg. Co., Horicon, Wis.

## EXHIBIT 9.

## LIST OF MEMBERS OF THE SALES MANAGERS' DEPARTMENT OF THE NATIONAL IMPLEMENT &amp; VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.

American Potato Machinery Co., Hammond, Ind.	Little Metal Wheel Co., J. R., Quincy, Ill.
American Seeding Machine Co., Springfield, Ohio.	Louden Machinery Co., Fairfield, Iowa.
Ann Arbor Machine Co., Ann Arbor, Mich.	Madison Plow Co., Madison, Wis.
Appleton Mfg. Co., Batavia, Ill.	McClure Co., The, Saginaw, Mich.
Aspinwall Mfg. Co., Jackson, Mich.	Mast, Foos & Co., Springfield, Ohio.
Avery Co., Peoria, Ill.	Maytag Co., The, Newton, Iowa.
Avery & Sons, B. F., Louisville, Ky.	Milburn Wagon Co., Toledo, Ohio.
Baker Mfg. Co., Evansville, Wis.	Minnetonna Co., Owatonna, Minn.
Bateman Mfg. Co., Grenloch, N. J.	Mitchell Wagon Co., Racine, Wis.
Bauer Bros. Co., Springfield, Ohio.	Moore Co., Given, Spring Valley, Ill.
Blount Plow Works, Evansville, Ind.	Ohio Cultivator Co., Bellevue, Ohio.
Brown Mfg. Co., Zanesville, Ohio.	Ohio Rake Co., Dayton, Ohio.
Buch's Sons Co., A., Elizabethtown, Pa.	Oliver Chilled Plow Co., South Bend, Ind.
Case Plow Works, J. I., Racine, Wis.	Perkins Wind Mill Co., Mishawaka, Ind.
Champion Potato Machinery Co., Hammond, Ind.	Peoria Drill & Seeder Co., Peoria, Ill.
Cushman Motor Works, Lincoln, Nebr.	Randolph Wagon Works, Randolph, Wis.
Deere & Co., Moline, Ill.	Robinson & Co., Richmond, Ind.
Deere Plow Co., John, Moline, Ill.	Ross Co., E. W., Springfield, Ohio.
De Laval Separator Co., Chicago, Ill.	Rumely Co., M., Chicago, Ill.
Dempster Mill Mfg. Co., Beatrice, Nebr.	St. Marys Machine Co., St. Mays, Ohio.
Dowagiac Drill Co., Dowagiac, Mich.	Smalley Mfg. Co., Manitowoc, Wis.
Douglas, W. & B., Middletown, Conn.	Sandwich Mfg. Co., Sandwich, Ill.
Eckhart Carriage Co., Auburn, Ind.	Sechler Imp. & Cge. Co., D. M., Moline, Ill.
Emerson-Brantingham Co., Rockford, Ill.	Sharples Separator Co., Chicago, Ill.
Farquhar Co. (Ltd.), A. B., York, Pa.	Thomas Mfg. Co., Springfield, Ohio.
Flint & Walling Mfg. Co., Kendallville, Ind.	Tower & Sons Co., J. D., Mendota, Ill.
Gale Mfg. Co., Albion, Mich.	Troy Wagon Works Co., Troy, Ohio.
Gehl Bros. Mfg. Co., West Bend, Wis.	Turnbull Wagon Co., Defiance, Ohio.
Geneva Metal Wheel Co., Geneva, Ohio.	Turney & Co., Joel, Fairfield, Iowa.
Hartman Mfg. Co., Vincennes, Ind.	Van Brunt Mfg. Co., Horicon, Wis.
Herschel Mfg. Co., R., Peoria, Ill.	Vermont Farm Machine Co., Bellows Falls, Vt.
International Harvester Co., Chicago, Ill.	Wilder-Strong Implement Co., Monroe, Mich.
James Mfg. Co., Fort Atkinson, Wis.	Whitman Agricultural Co., St. Louis, Mo.
Janesville Machine Co., Janesville, Wis.	Whitman & Barnes Mfg. Co., Akron, Ohio.
Johnson & Field Mfg. Co., Racine, Wis.	Winona Wagon Co., Winona, Minn.
La Crosse Plow Co., La Crosse, Wis.	Wisconsin Carriage Co., Janesville, Wis.
Lauson Mfg. Co., J., New Holstein, Wis.	

## EXHIBIT 10.

**LIST OF MEMBERS OF THE FOREIGN TRADE MANAGERS' DEPARTMENT OF THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION, AS OF AUGUST 20, 1914.**

American Seeding Machine Co., Springfield, Ohio.	Janesville Machine Co., The, Janesville, Wis.
Appleton Mfg. Co., Batavia, Ill.	La Crosse Plow Co., La Crosse, Wis.
Aspinwall Mfg. Co., Jackson, Mich.	Mitchell Wagon Co., Racine, Wis.
Associated Mfrs. Co., Waterloo, Iowa.	Northwestern Mfg. Co., Fort Atkinson, Wis.
Avery Co., Peoria, Ill.	Emerson-Brantingham Co., Rockford, Ill.
Cushman Motor Works, Lincoln, Nebr.	Peoria Drill & Seeder Co., Peoria, Ill.
Deere & Co., Moline, Ill.	Robinson & Co., Richmond, Ind.
Farquhar Co. (Ltd.), A. B., York, Pa.	St. Marys Machine Co., The, St. Marys, Ohio.
Flint & Walling Mfg. Co., Kendallville, Ind.	
Herschel Mfg. Co., R., Peoria, Ill.	

## EXHIBIT 11.

**REPORT OF COMMITTEE OF NATIONAL WAGON MANUFACTURERS' ASSOCIATION APPOINTED IN NOVEMBER, 1903, TO FORMULATE A PLAN FOR THE BETTER MAINTAINING OF PRICES—REPORT MADE TO ASSOCIATION FEBRUARY 3, 1904.**

*To the National Wagon Makers Association:*

Your committee appointed at the last meeting to recommend some plan by which the Association could be made of more practical value to its members, met in South Bend, on January 13, and devoted the day to the discussion of the different suggestions that had been made. One of these was somewhat discussed at the meeting of the Association in November, viz:—the employment of a commissioner who should have control of and regulate prices in the different localities for each manufacturer, giving due consideration to the usual differences in prices of the various brands of wagons.

At our meeting in South Bend Mr. Geiger presented a plan based on this suggestion. Your committee after thorough discussion of the whole matter, decided it would be unwise to at once attempt the regulation of selling prices on complete wagons, but believed it well worth the cost of the experiment to attempt first to establish a minimum price for each size and kind of wagon box and for all parts of wagon boxes. Aside from the fact that some of our members use cottonwood and others poplar, the details of construction, size and kind of material used, do not materially differ. They decided, therefore, to recommend to the Association the adoption of the following plan of procedure, believing if we can make it work in connection with wagon beds and parts, we can then proceed with such parts as seats, brakes and other extras, standard widths and thicknesses of extra tire and possibly the establishment of standard list prices. While it would not be either practical or desirable to have all list prices alike, because of the variation in specifications of the different factories on the various sizes and kinds of wagons, it is the belief of your committee that by taking some standard specifications for each size wagon and establishing a list price therefor, a plan could be devised to figure out the proper list price for any wagon of the same size by

figuring upon a uniform basis for any variation in specifications established. The greatest variation would undoubtedly be found in the size of tire. Without further discussion of the future work we, therefore, recommend as a starter that we undertake the establishment of minimum prices to jobbers, carload buyers and less than carload buyers of wagon beds of different sizes, and of different material and of all parts of same, like top boxes, tip top boxes, etc., that to accomplish this,

First, The Association shall appoint a committee to be known as the Executive Committee, and to consist of from nine to twelve representative manufacturers who shall have charge of the work.

2nd, That the Executive Committee shall employ as a permanent secretary a competent man, who under direction of the committee shall devote his entire time to the work. He shall gather such information and details as to materials used, construction, estimated costs, and selling prices, as may be decided on by the committee, and without mentioning names of members, tabulate the information and present it to the committee in that form.

The committee shall then prepare, and through the Secretary, send to each member of the Association the schedule of minimum prices for the different classes of trade, on beds of all sizes and kinds and parts thereof; that the report, when made, shall be the unanimous recommendation of the committee to which they are willing to pledge themselves, and that upon its adoption by the Association all members thereof shall agree to be governed thereby and in good faith carry it out in their business.

3rd. To defray the expenses of the Secretary and actual traveling and hotel expenses of the committee, a fund shall be raised by levying an assessment upon each member of the association equal to one quarter of one per cent upon the shop pay roll of each member for the year 1903. In figuring the shop pay roll it shall include all employees except officers, superintendents and salesmen, but including all foremen; members manufacturing other lines than farm wagons, shall, of course, only include that part of his pay roll which properly belongs to the wagon business.

It is the belief of the committee that if we heartily and faithfully pursue this course and live up to the recommendation of the committee, the increase in profits to each member shall many times exceed the amount of the assessment he may be called upon to pay.

It is the earnest hope of the committee these recommendations may be heartily endorsed and adopted by the unanimous vote of all the members of the association.

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#### EXHIBIT 12.

#### QUESTION SHEET RELATIVE TO PRICES OF MEMBERS, ISSUED BY THE NATIONAL WAGON MANUFACTURERS' ASSOCIATION, JANUARY 1, 1906.

1: Have your new advanced prices been placed in the hands of all your selling agencies? If not, why?—Ans: ———.

2: Are your advances to both jobber and dealer in line with the recommendation in all cases? Explain any exceptions.—Ans: ———.

3: Are your instructions that from Jan. 1st on, you will take no more orders at your 1905 prices?—Ans: \_\_\_\_\_.

4: Did you, or your jobbing or selling agent for you, accept after date of last meeting (Nov. 16) any orders for shipment after Jan. 1-06 at your 1905 prices?—Ans: \_\_\_\_\_.

5: If some such orders are taken, why were they given such preference?—Ans: \_\_\_\_\_.

6: How does the volume of your trade since last meeting to Jan. 1st compare with the same period of 1904?—Ans: \_\_\_\_\_.

7: Does the present condition of the material markets indicate to you that manufacturing cost is likely to diminish in the near future?—Ans: \_\_\_\_\_.

8: Is there any question in your mind but that the advance on wagons should be and can be maintained, and are you determined to maintain it?—Ans: \_\_\_\_\_.

(Signed) \_\_\_\_\_.

Date: \_\_\_\_\_, 1906.

### EXHIBIT 13.

**REPRESENTATIVE SHEETS SHOWING DIFFERENCES IN STANDARD SPECIFICATIONS AND EQUIPMENT FOR FARM WAGONS SOLD IN DIFFERENT TERRITORIES ADOPTED BY THE NATIONAL WAGON MANUFACTURERS' ASSOCIATION IN 1908.**

#### STANDARD EQUIPMENT FOR FARM WAGONS.

(Adopted December 9, 1908. Replaces all previous issues.)

Showing equipment commonly used in the following trade territories:<sup>1</sup>

Arkansas: Arkansas and Eastern Texas.

Dallas: All of Texas and Oklahoma North to Canadian River.

Iowa: Iowa East of Western two tiers of Counties.

Illinois: Illinois North of Springfield.

Indiana: Entire State.

Kansas City: Kans., W. Mo., and Okla., South to Canadian River.

Kentucky and Tennessee: Entire States.

Ohio: Entire State.

Omaha: Nebraska and Western Iowa.

Minneapolis: Minnesota, N. & S. Dakota except Black Hills.

St. Louis: Eastern and Southern Missouri and Southern Illinois.

Southeastern: Ala., Ga., Fla., No. and So. Car., Va., and W. Va.

Southern: All Southern States not included in Southeastern.

Western and Mountain States: All West of East line of Colorado.

#### RECOMMENDATION.

That we adopt the Standard Equipment with the changes recommended by the Secretary, and that complete copies of it be furnished

<sup>1</sup> The sheets for only three of these territories are shown in this exhibit. These indicate the extent and character of differences in specifications and equipment for different territories.

to our members, as a guide or information to them of what is ordinarily considered standards in the various territories outlined, leaving it optional with each member as to how far he would use these equipments in furnishing his goods.

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STANDARD EQUIPMENT.

*Report of the National Wagon Manufacturers' Association to its members of what careful inquiry shows to be the equipment deemed necessary in the territory outlined below.*

(Territory: Kansas City. Comprising: Kansas, Western Missouri and Oklahoma, South to Canadian River.)

1. Size of Skein or Axle.....	2½	2½	3	3½	3½	3½
2. Track.....	Narrow	Narrow	Narrow	Narrow	Narrow	Narrow
3. Height of Wheels.....	40-48	44-52	44-52	44-52	44-52	44-52
4. Size of Tire.....	1½ x ½	1½ x ½	1½ x ½	1½ x ½	1½ x ½	1½ x ½
5. Drop or stiff Pole.....	Drop	Drop	Drop	Drop	Drop	Drop
6. Length of Box.....	10'	10' 6"	10' 6"	10' 6"	10' 6"	10' 6"
7. Total depth of Box.....	20"	24"	26"	26"	28"	28"

The following items are considered "regular" as indicated and usually figured in price of standard or base wagon—The items marked "extra" are regular but the charge for them is added to base price, while those marked "special" are not commonly used in the territory and of course should be charged for extra.

1. Bottom reinforced over rear Bolster.....	Regular on all sizes.
2. Patent Endgate.....	Do.
3. Common Endgate.....	Not used.
4. Top box Fasteners.....	Regular on all sizes.
5. Anti-Spreaders.....	Do.
6. Grain Cleats.....	Do.
7. Spring Seat.....	Do.
8. Lazyback.....	Do.
9. 5th Cleat or Sill.....	Extra on all sizes.
10. Foot Lever Gear Brake.....	Regular on all sizes.
11. Gear Brake hook up irons.....	Do.
12. Bow Staples.....	Not used.
13. Tool or Jockey Box.....	Do.
14. 3rd Top Box.....	Extra on all sizes.
15. Anti-Spreaders and Fasteners for third top boxes.....	Do.
16. Boot End Beds with Joint Rods.....	Not used.
17. Bows.....	Do.
18. Feed Boxes.....	Do.
19. Seat on Risers.....	Special on all sizes.
20. Lock Chains.....	Extra on all sizes.
21. Bed Brake.....	Do.
22. Reversible Gear Brake.....	Special on all sizes.
23. Clipped Gear Brake.....	Do.
24. Riveted Rims.....	Do.
25. Wide Tires.....	Do.
26. Bois D'Arc Felloes.....	Not used.

\* \* \* \* \*

## STANDARD EQUIPMENT.

*Report of the National Wagon Manufacturers' Association to its members of what careful inquiry shows to be the equipment deemed necessary in the territory outlined below.*

(Territory: Southeastern. Comprising: Alabama, Georgia, Florida, N. & S. Carolina, Virginia & W. Virginia.)

## TWO HORSE.

1. Size of Skein or Axle.....	2 $\frac{3}{4}$ TS	1 $\frac{1}{2}$ SA	1 $\frac{1}{2}$ SA	1 $\frac{1}{2}$ SA	1 $\frac{1}{2}$ SA	3 $\frac{1}{2}$ -TS
2. Track.....	Wide	2 $\frac{3}{4}$ -TS	2 $\frac{3}{4}$ TS	3 TS	3 $\frac{1}{2}$ -TS	3 $\frac{1}{2}$ -TS
3. Height of Wheels.....	40-48	Wide	Wide	Wide	Wide	Wide
4. Size of Tire.....	1 $\frac{1}{2}$ x $\frac{3}{4}$	40-48	44-52	44-52	44-52	44-52
5. Drop or stiff Pole.....	Stiff	1 $\frac{1}{2}$ x $\frac{1}{2}$	1 $\frac{1}{2}$ x $\frac{1}{2}$	1 $\frac{1}{2}$ x $\frac{1}{2}$	1 $\frac{1}{2}$ x $\frac{1}{2}$	1 $\frac{1}{2}$ x $\frac{1}{2}$
6. Length of Box.....	9'	Stiff	Stiff	Stiff	Stiff	Stiff
7. Total depth of Box.....	16"	10'	10'	10' 6"	10' 6"	10' 6"
		18"	20"	24"	24"	26"

The following items are considered "regular" as indicated and usually figured in price of standard or base wagon—The items marked "extra" are regular but the charge for them is added to base price, while those marked "special" are not commonly used in the territory and of course should be charged for extra.

1. Bottom reinforced over rear Bolster.....	Special.
2. Patent Endgate.....	Regular on all sizes.
3. Common Endgate.....	Do.
4. Top box Fasteners.....	Not used.
5. Anti-Spreaders.....	Do.
6. Grain Cleats.....	Do.
7. Spring Seat.....	Extra on all sizes.
8. Lazyback.....	Not used.
9. 5th Cleat or Sill.....	Special.
10. Foot Lever Gear Brake.....	Extra on all sizes.
11. Gear Brake hook up irons.....	Not used.
12. Bow Staples.....	Special.
13. Tool or Jockey Box.....	Not used.
14. 3rd Top Box.....	Do.
15. Anti-Spreaders and Fasteners for third top boxes.....	Do.
16. Boot End Beds with Joint Rods.....	Special.
17. Bows.....	Not used.
18. Feed Boxes.....	Do.
19. Seat on Risers.....	Special.
20. Lock Chains.....	Extra on all sizes.
21. Bed Brake.....	Do.
22. Reversible Gear Brake.....	Special.
23. Clipped Gear Brake.....	Do.
24. Riveted Rims.....	Do.
25. Wide Tires.....	Extra on all sizes.
26. Bois D'Arc Felloes.....	Not used.
27. Club-Stakes.....	Special.
28. Round Reach.....	Do.
29. Ox Tongue.....	Do.

\* \* \* \* \*



## STANDARD EQUIPMENT.

*Report of the National Wagon Manufacturers' Association to its members of what careful inquiry shows to be the equipment deemed necessary in the territory outlined below.*

(Territory: Western and Mountain. Comprising: All West of East Line of Colorado.)

1. Size of Skein or Axle.....	2½ SS	2½ SS	3 SS	3½ SS	3½ SS	3½ SS
2. Track.....	Either	Either	Either	Either	Either	Either
3. Height of Wheels.....	40-48	44-52	44-52	44-52	44-52	44-52
4. Size of Tire.....	1½ x ½	1½ x ¾	1½ x ¾	1½ x ¾	1½ x ¾	2 x ¾ & 1
5. Drop or stiff Pole.....	Drop	Drop	Drop	Drop	Drop	Drop
6. Length of Box.....	10'	10' 6"	10' 6"	10' 6"	10' 6"	10' 6"
7. Total depth of Box.....	20"	22"	24"	24"	26"	26"

The following items are considered "regular" as indicated and usually figured in price of standard or base wagon—The items marked "extra" are regular but the charge for them is added to base price, while those marked "special" are not commonly used in the territory and of course should be charged for extra.

1. Bottom reinforced over rear Bolster.....	Regular on all sizes.
2. Patent Endgate.....	Extra on all sizes.
3. Common Endgate.....	Regular on all sizes.
4. Top box Fasteners.....	Not used.
5. Anti-Spreaders.....	Do.
6. Grain-Cleats.....	Extra on all sizes.
7. Spring Seat.....	Regular on all sizes.
8. Lazyback.....	Do.
9. 5th Cleat or Sill.....	Extra on all sizes.
10. Mountain or California Brake.....	Regular on all sizes.
11. Gear Brake hook up irons.....	Not used.
12. Bow Staples.....	Regular on all sizes but not always wanted.
13. Tool or Jockey Box.....	Regular on all sizes.
14. 3rd Top Box.....	Extra on all sizes.
15. Anti-Spreaders and Fasteners for third top boxes.....	Not used.
16. Boot End Beds with Joint Rods.....	Do.
17. Bows.....	Extra on all sizes.
18. Feed Boxes.....	Not used.
19. Seat on Risers.....	Special.
20. Lock Chains.....	Extra on all sizes.
21. Bed Brake.....	Not used.
22. Reversible Gear Brake.....	Do.
23. Clipped Gear Brake.....	Do.
24. Riveted Rims.....	Special.
25. Wide Tires.....	Do.
26. Bois D'Arc Felloes.....	Not used.
27. 12 and 14 foot Reaches.....	Extra on all sizes.
28. Stiff Tongue.....	Do.
29. California Rivets.....	Regular on all sizes.

## EXHIBIT 14.

GENERAL LETTER ISSUED BY THE NATIONAL WAGON MANUFACTURERS' ASSOCIATION RELATIVE TO TRADE CONDITIONS IN DECEMBER, 1908.

GENERAL OFFICES,  
525-527-529 AMERICAN TRUST BUILDING,  
*Chicago, Dec. 28-1908.*

## PRESENT AND FUTURE TRADE CONDITIONS.

GENTLEMEN:

You undoubtedly have been made aware, through the trade papers and other channels of publicity, that manufacturers representing the greater part of the farm and heavy wagon output of this country have notified the trade of an advance in their selling prices May 1st 1909 to the extent of at least 10% over present figures, limiting the time of shipment on orders taken at present prices to April 30th, 1909.

With other manufacturers who have recently reviewed the condition of their business, going back, say, for a period of five years, this action has not only been indorsed but like action will be taken by them, and our purpose in calling your attention to the matter is that we believe it should receive universal recognition.

Permit me to suggest a few propositions that have a vital bearing on this question as to whether present selling prices are profitable or unprofitable:—

First: Wagon materials (particularly woodstock), labor, and overhead or fixed expenses, have increased beyond any advance in selling prices of wagons during the past ten years.

Second: During recent years when trade volume was large, the ratio of manufacturing profit greatly decreased.

Third: With the return of trade demand to normal, present selling prices cannot return fair profits on the large investment necessary to this line of manufacture.

Fourth: It has been necessary to greatly increase our investment in order to provide our usual supply of wagonstock because of the rapid increase in price of that material, and we are confronted with the certainty of still farther advances.

Fifth: During the past ten years a number of concerns in this line, neglecting to give attention to these encroachments on profits and changing conditions, have quit, failed, or become financially embarrassed—others may follow from the same cause.

Sixth: Retail profits on wagons have also declined, so that by many they are only handled of necessity, as with salt or sugar, and because of this condition the personnel of those who retail our product as to financial worth or business ability is rapidly getting poorer.



Seventh: We believe it is a matter of self-preservation that a readjustment of these conditions should occur in 1909, not only by an advance in selling prices of the manufacturer but in the prices of the retailer as well, and we should immediately explain the situation to our trade and support them in making their adjustments.

Eighth: The principal consumer of our product, the farmer, has received the greatest share of prosperity and his ability to pay a fair price for his necessary working equipment is unquestioned, so that this reasonable advance in the price of his wagon will in no way delay his purchasing.



Net extra charge for odd or wide tires—Continued.

LIGHT ONE HORSE WAGONS.

Regular Tires. 	1½x½	1½x½	1½x¾	1½x¾	Regular Tires. 	1½x½	1½x½	1½x¾	1½x¾
For 1½x½.....	\$1.27	\$1.09	\$0.69	\$0.58	For 2½x½.....	\$3.80	\$3.62	\$3.22	\$2.82
“ 1½x½.....	1.67	1.50	1.09	.81	“ 3 x½.....	5.06	4.89	4.49	4.08
“ 2 x½.....	2.07	1.90	1.50	1.09					

ADD for each ¼-inch Thickness Extra on Light One Horse Wagons.

Tire 1½ in. wide.....	\$0.69	Tire 2 in. wide.....	\$ 1.2
“ 1½ “ “.....	.69	“ 2½ “ “.....	1.6
“ 1½ “ “.....	.92	“ 3 “ “.....	1.9
“ 1½ “ “.....	1.15		

NOTICE—The sizes of tires at the top of these columns are common narrow tires regularly used, while those in the extreme left column are the tires likely to be called for. The prices herein given are recommended as net prices to the trade (see secretary's report of meeting, March 14, 1907) and should be the net basis for your price list. The prices given are for tires on high or standard wheels; no reduction to be made on wheels of less height.

EXHIBIT 16.

“EXTRA” OR “REPAIR” PRICE LIST SUGGESTED BY SPECIAL COMMITTEE APPOINTED AT CONFERENCE OF FARM WAGON MANUFACTURERS, AT CHICAGO, JUNE 5TH, 1912—3¼" x 10" WAGON.

(Numbers 1, 2, 3, 4, 5, 6 represent the gross lists of prominent concerns. The discounts shown are those commonly given to the retail dealer. See “Notice,” below, for further explanation of this price-list.)

	1 40%	2 50%	3 40%	4 35%	5 40%	6 33½%	Recom- mended Gross List
List. Axle, wood only.....	\$3.50	\$3.88	\$2.50	\$3.10	\$3.50	\$3.00	\$3.80
Net. Do.....	2.10	1.99	1.50	2.01	2.10	2.00	.....
List. Axle, finished with C. S.....	5.85	7.40	5.00	5.65	6.00	6.32	7.00
Net. Do.....	3.41	3.70	3.00	3.67	3.60	4.21	.....
List. Bolsters, wood only.....	2.35	2.44	1.50	1.70	1.90	1.70	2.45
Net. Do.....	1.41	1.22	.90	1.11	1.14	1.13	.....
List. Bolsters, finished, front.....	5.25	5.00	3.85	3.25	4.60	3.90	5.00
Net. Do.....	3.15	2.50	2.31	2.11	2.76	2.60	.....
List. Bolsters, finished, hind.....	4.25	5.00	3.30	3.25	3.80	3.20	5.00
Net. Do.....	2.55	2.50	1.98	2.11	2.28	2.13	.....
List. Clevises, with pin.....	.30	.25	.22	.25	.30	.50	.30
Net. Do.....	.18	.13	.13	.16	.18	.33	.....
List. Doubletrees, finished.....	1.60	1.80	.88	1.00	1.50	1.00	1.80
Net. Do.....	.96	.90	.53	.65	.90	.66	.....
List. Gears, front, with C. S.....	17.50	27.88	13.55	17.00	13.00	12.50	25.00
Net. Do.....	10.50	13.94	8.13	11.05	9.81	8.33	.....
List. Gears, hind, with C. S.....	16.60	21.48	13.45	14.50	12.00	11.50	21.00
Net. Do.....	9.96	10.74	8.07	9.42	9.06	7.66	.....
List. Sq. Hounds, front, wood only, R. & L.....	.90	1.08	.64	.90	.80	.80	1.08
Net. Do.....	.54	.54	.38	.59	.48	.53	.....
List. Sq. Hounds, hind, wood only, R. & L.....	1.25	1.32	.92	.80	1.20	1.00	1.25
Net. Do.....	.75	.66	.55	.52	.72	.66	.....
List. Hounds, pole wood only R. & L.....	.80	.60	.54	.60	.60	.40	.60
Net. Do.....	.48	.30	.32	.39	.36	.27	.....
List. King Bolts.....	.30	.50	.40	.25	.30	.40	.50
Net. Do.....	.18	.25	.24	.16	.18	.27	.....

## "Extra" or "repair" price list suggested, etc.—Continued.

	1 40%	2 50%	3 40%	4 35%	5 40%	6 33½%	Recom- mended Gross List.
List. Neck yokes, 42", complete .....	\$1.50	\$1.68	\$1.18	\$1.15	\$1.60	\$1.30	\$1.65
Net. Do .....	.90	.84	.71	.75	.96	.87	.....
List. Reaches, regular 9' .....	2.30	3.20	2.52	2.50	2.30	2.30	3.00
Net. Do .....	1.38	1.60	1.51	1.63	1.38	1.53	.....
List. Reaches, regular 12' .....	3.55	3.56	3.30	3.25	3.60	2.80	3.50
Net. Do .....	2.13	1.78	1.98	2.11	2.16	1.87	.....
List. Reaches, regular 14' .....	3.90	4.72	3.30	3.50	5.40	3.30	4.60
Net. Do .....	2.34	2.36	1.98	2.28	3.24	2.20	.....
List. Skains, cast, boxes and nuts, sets .....	7.50	8.84	5.94	7.50	5.80	5.04	8.80
Net. Do .....	4.50	4.42	3.56	3.38	3.48	3.36	.....
List. Sandboard, wood only .....	1.75	1.64	1.61	1.40	1.60	1.60	1.70
Net. Do .....	1.05	.82	.97	.91	.96	1.07	.....
List. Singletrees, with ferrules .....	1.15	1.24	.92	.75	1.20	1.00	1.25
Net. Do .....	.69	.62	.55	.49	.72	.66	.....
List. Tongues, complete .....	7.05	7.60	6.30	5.50	7.00	6.50	7.50
Net. Do .....	4.23	3.80	3.78	3.58	4.20	4.33	.....
List. Wrenches .....	.20	(not given)	.44	.30	.40	.40	.40
Net. Do .....	.12		.26	.20	.24	.27	.....
List. Steel Skains, with boxes .....				7.50	10.80		15.00
Net. Do .....				4.88	6.48		.....
List. Set 44/52 Wheels, 1½ x ½ .....	50.80	54.57	42.00	42.00	35.50	42.00	54.00
Net. Do .....				27.30	26.66		.....
List. Set 44/52 C. S. Wheels, 1½ x ½ .....					35.00		.....
Net. Do .....					26.25		.....
List. Stiff Pole, comp. finished .....				6.00	8.50		7.20
Net. Do .....				3.90	5.10		.....
List. Stiff Pole, wood only .....				4.00	3.50		4.50
Net. Do .....				2.60	2.10		.....
List. Stake, ironed .....				.60	.70		.60
Net. Do .....				.39	.42		.....
List. Stake, wood only .....				.25	.30		.24
Net. Do .....				.16	.18		.....

## NOTICE.

The need of a uniform gross list for extra or repair parts for Farm Wagons has been manifest for many years, and at a representative meeting of manufacturers in this line held at Chicago on June 5th, 1912, a Committee was appointed to recommend the proper basis for such a list. Their labors were confined to the 3¼" x 10" size, commonly used throughout the middle west, and they present below <sup>1</sup> a suggested list and recommendation on all common parts.

The first six columns of this list contain the present list prices of as many leading concerns in the Farm Wagon line, and the discount appearing at the head of these columns are those commonly extended by them to the retail dealer f. o. b. cars factory, subject only to the usual cash discount in addition.

The list recommended by this Committee is that found in the extreme right hand column, which, if discounted 50%, would result in net prices covering costs of production and sale and netting on

<sup>1</sup> See list above.

average costs a fair margin. The Committee does not recommend, however, the application of a discount of 50% or any other discount, but does suggest the advisability of adopting the figures shown in that column as a gross list by all manufacturers just the same as such lists are used for bolts, screws, nuts and other materials consumed in manufacture. It is recommended that a special list be made up for *Mountain Wagon Parts*, using the gross list presented on the reverse side of this sheet<sup>1</sup> as a basis and adding 30 to 40 per cent. to those figures to make the new list—this will enable the quoting of a uniform trade discount applicable to both lists.

The proper discount to apply should be determined after an investigation of one's own cost in the regular way. The widely differing lists of the several concerns shown in this report are a sufficient illustration of the need of a uniform list, especially as the common parts referred to in the lists may be furnished by any concern in the business and have very little in individuality, form or shape to justify the wide difference often found in these lists.

FARM WAGON DEPARTMENT  
NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION.

CHICAGO, ILL., *November 26, 1912.*

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EXHIBIT 17.

PAPER ON STANDARDIZATION OF FARM WAGONS, READ BEFORE  
AMERICAN SOCIETY OF AGRICULTURAL ENGINEERS BY E. E.  
PARSONAGE, OF JOHN DEERE WAGON CO., DECEMBER 30, 1913.

(Approved by Wagon Department of National Implement & Vehicle Association.)

GENTLEMEN: As you probably understand from the nature of my business, I am vastly interested in the subject you have assigned me.

Manufacturers of farm implements in recent years have very largely adopted steel construction. Wagons, however, of necessity are built very largely of wood, and standardization of farm wagons will tend toward economy in the use of wood stock. We are therefore all interested in the conservation of our forests.

As an advance step, the wagon manufacturers have done a great deal toward standardizing wheel heights, and we have a set of National Construction Rules governing the grading of wood stock. Wagon axles, poles, etc., are standardized as to raw sizes, whereas in times gone by each manufacturer had his own patterns, and the mills were forced to cut accordingly, and the waste was large as a result.

We have now come to a point where, in order to further standardize farm wagon construction, it is necessary to get the co-operation of the consumers.

I have some definite ideas that I will present, and I am myself positive that they will result in great benefit to the manufacturer of wagons, the merchant who handles them, and the farmer who uses them, finally. At least, I hope to outline a plan that may serve as a nucleus in attempting to remedy the ridiculous situation that now exists in the wagon trade.

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<sup>1</sup> See list above.

Let me start with the statement that by reason of all wagon factories being compelled to cater to the individual ideas of wagon users in all sections of the country, an ordinary farm wagon is costing the manufacturer, and consequently the farmer, several dollars more per unit than would be the case if farm wagons could be classified and built more with the idea of fitting the conditions from a practical standpoint.

In other words, gentlemen, wherever the manufacturer of any standard article of trade has studied the needs of the consumer and built a line of goods to meet those needs in every practical way, and has not listened to the whims and fancies of the purchaser as have the wagon builders, the needs of the consumer are better supplied, and greater efficiency in manufacturing is maintained. The farm wagon of today is strictly a freight vehicle and its purpose is to haul farm loads. Therefore, its use in practically all the country is precisely the same, and there is no more real need of the very large variety of construction and sizes than there is in watches, or any other article of universal use.

Why, then, should wagons be made and marketed, in any given locality, with the idea of furnishing the merchant anything and everything he thinks he wants—regardless of its adaptability from a practical standpoint, and regardless of the effect upon the roads of the various styles of tire equipment, etc.? In this one particular, I take it that you are all vitally interested in the tire equipment of wagons, based upon approximate loads, and of such widths as will insure the conserving of the roadbed, rather than the destruction of it through ignorance.

As an example, I have with me an order, copy of which reads as follows:

Amt.	Size.	Kind.	Wheels.	Tires.	Remarks.
1.....	3½x11	1132	40/44	3 x½ RE..	3x4 reach 12" long.
1.....	3½x10	1130	40/44	3 x½ RE..	8" stakes 48" neckyokes.
3.....	3½x10	1130	40/44	2 x½ RE..	8" stakes 48" neckyokes.
2.....	3½x10	1130	40/44	2 x½ RE..	8" " 48" "
3.....	3 x 9	1128	40/44	2 x½ RE..	8" stakes 42" neckyokes.
2.....	3 x 9	1128	40/44	1½x½ RE..	10" " 42" "
3.....	3 x 9	1128	40/44	2 x½ RE..	8" " 42" "
3.....	3 x 9	1128	40/44	1½x½ RE..	10" " 42" "
2.....	2½x8½	1126	40/44	1½x½ RE..	10" " 42" "
2.....	2½x8½	126	44/52	1½x½ RE..	12" " 42" "
2.....	2½x8½	1126	40/44	1½x½ RE..	10" " 42" "
1.....	3 x 9	128	44/52	1½x½ RE..	12" " 42" "
2.....	1½x 7	418	40/48	1½x½.....	
2.....	1½x 7	418	40/48	1½x½.....	

Please note that this is an order for a carload of 30 wagons, and it includes 14 different varieties. This is a condition that is nothing short of ridiculous.

In order to lay a foundation in a measure, that I am about to recommend, let me go over the sizes of standard 2-horse farm wagons, as designated by skein measurements. They are as follows:

2½ x 7    2½ x 8    2½ x 8½    3 x 9    3½ x 10    3½ x 11    3½ x 12    4 x 12

Bear in mind that practically each of these eight classes of wagons is built in all sorts of equipments—different heights of bolster stakes, wide track, narrow track, wide track narrow bed, slip pole, drop pole, 36/44 wheels, 40/44, 40/48 and 44/52 heights of wheels.

Now let us take the  $3\frac{1}{4} \times 10$  wagon. This is the size of wagon that sells regularly in the central states from Ohio to the Wyoming and Colorado lines.

Kindly mark this statement: If a large wagon factory to-day should have on hand in the  $3\frac{1}{4} \times 10$  size of wagon only, one each of all the styles and forms of equipment demanded in various parts of the country, and that they might be certain of being able to ship any particular equipment within an hour's notice, they would have to have on hand—

640 different styles of gears.

157 different sets of wheels with various heights and tire widths.

140 different styles of wagon boxes.

This is a condition that is appalling, and these figures will hardly be believed by the wagon manufacturer himself, unless he spends a week or more tabulating the various equipment he is compelled to furnish.

I have in mind four avenues of standardization, viz:

First—Standardizing and Simplifying the Sizes of Wagons.

Second—Standardizing the Track of Wagons.

Third—Standardizing and Simplifying Wheel Heights.

Fourth—Standardizing Tire Widths and Thicknesses.

FIRST—STANDARDIZING, OR IN REALITY, REDUCING THE NUMBER OF SIZES OF WAGONS.

For instance, a  $2\frac{1}{2} \times 8$  and a  $2\frac{3}{4} \times 8\frac{1}{2}$ —2 horse wagons. In reality, it takes an expert to tell the difference in these two wagons. Difference in carrying capacity is barely nominal, as there is only from 35 to 50 lbs. difference in the weight of these wagons. The box equipment, pole, axles—are the same. One wagon would take the place of these two, were it not for the fact that—first, the salesman is educated to sell both sizes—the merchant thinks he needs both sizes, and buys them—and in turn asks the farmer which of the two sizes he wants. If the implement man happens to have on hand a  $2\frac{1}{2} \times 8$  wagon, he sells that. If he has the other size, that sells equally as well, as a rule.

Now we have EIGHT SIZES of two-horse wagons. Suppose we remove the incentive for the purchaser of a farm wagon asking the measurements of the skein of the wagon he is going to buy. Suppose we forget the size of the skein entirely. A farmer comes to town. He wants a light 2-horse wagon, or he wants a medium 2-horse wagon.

Suppose we recommend that four sizes of 2-horse wagons be bought, instead of eight, designating them as follows:

Light 2-horse Wagon-----	equals standard $2\frac{1}{2} \times 8$ .
Medium 2-horse Wagon-----	equals $3 \times 9$ .
Standard 2-horse wagon-----	equals $3\frac{1}{4} \times 10$ .
Heavy 2-horse wagon, such as is used for teaming work, logging, hauling wood, etc-----	equals $3\frac{3}{4} \times 12$ .



Results—The manufacturer of wagons would gain materially by such an arrangement. Jobbing trade and merchants generally would gain for the same reason that the manufacturer would be the gainer—and that is, their stocks would be simplified—they would need to carry less stock in order to supply their trade, and a big incentive would be removed for the user of a wagon to buy other than the wagon that would be fitted for his needs.

This, I think, could be brought out by concerted action, details of which I will discuss later.

#### SECOND—STANDARDIZING THE TRACK OF WAGONS.

There is no necessity or value in the variation in the track of wagons, and in fact, the variation in track widths is a positive detriment, an inconvenience in many sections of the country, and is simply brought about by one of two reasons.

I might say to start with, that there are no less than one-half dozen widths of track in the United States, although the common variation is the difference between the Narrow Track and the Wide Track—viz: Narrow Track, 4' 6" center to center, and Wide Track 5' center to center.

The variation in the track of wagons has been brought about in years gone by from one or two reasons, principally.

First—a local wagon maker, in many sections, would have a track figured out of his own, and he would set the pace in his particular neighborhood.

The other reason for maintaining a wide or narrow track in any one neighborhood has been simply the so-called necessity of each farmer buying his new wagon of a track that would fit the ruts made by his neighbors.

There can be no objection made to standardizing the tracks to conform to the standard narrow—4' 6" center to center. The wide track wagons naturally carry longer axles—therefore, with a maximum load on a given size of wagon, the wagon will stand up longer and stand more hard usage by having a narrow track axle.

It may seem ridiculous to tell you that there are towns in several of the states where an implement man is forced to carry both wide and narrow track wagons—selling wide track east of his town, and narrow track west of his town.

The necessity for following the custom as far as track is concerned in any given territory is becoming less and less as the country roads are becoming better. As roads are built up, rounded up, MacAdamed, drained, etc., the ruts forming even at the worst time of the year, are becoming less noticeable.

As a practical example—seven or eight years ago in California, all tracks of gears were demanded, and each small valley or community had its distinctive track. Thru the efforts of the National Association of Wagon Manufacturers and the implement men generally in that territory, the complicated situation was changed, and now in California no other wagon is sold than the regular Wide Track 5-foot width.

Another example is that in the southern part of our own state, for many years there was a 5' 1" track in use. This old track has been

eliminated by several of the larger manufacturers who did business in that territory, refusing to build 5' 1" track.

I have a plan for bringing it about which I will go into later for standardizing track.

### THIRD—STANDARDIZING AND SIMPLIFYING ALL WHEEL HEIGHTS.

Until comparatively few years ago, there were more different wheel heights in wagon wheels than could be counted on the fingers of both hands; in fact—there were forty-one different heights. Thru the efforts of the Wagon Manufacturers Association several years ago, an attempt was made to simplify wheel heights, by naming four heights, viz:

36/44    40/44    40/48    44/52

This attempt at reducing the wheel heights to four standard sizes has been very nearly successful. There are some exceptions, however, owing to one or more manufacturers not having the heart to refuse building all heights of wheels because of the fear of losing a little trade. There is one manufacturer that even at the present time, makes a 54" rear wheel.

For the past year, our Wagon Association has agitated a reduction in the height of wagon wheels.

There is a consensus of opinion that there is no longer any necessity for building a 44/52 wheel height. The reasons for this assumption can be summed up as follows:

First—wagon spokes are mostly sawed to equip 44/52 wheels. When 36/44 wheels are used, or any other height, from 2 to 4 inches of each spoke is wasted and thrown into the scrap pile.

In the interests of conservation of wagon stock, elimination of the 44/52 wheel height is advisable.

Again—the higher the wheel, the greater the strain on the axle and wheel also. It may be interesting to some of us to know that strain or breakage on a wagon wheel or axle is not brought about by the downward pressure of the load, but axles are broken and wagon wheels are crushed, in 99 cases out of 100, by reason of the side play or shifting of the load sideways.

For instance, a medium 2-horse wagon may be carrying a load of 3000 lbs. If the road were good and level, the wagon could be loaded up to 5000 lbs., or 6000 lbs., without injuring it, but with a 3000-lb. load, one wheel drops sideways from the top of a stone; result—a smashed wheel or broken axle.

My proposal then, is to make the 40/48 wheel height the standard high wheel construction. Wherever the 40/48 height of wheel has been standard, it has taken the place entirely of the 44/52 height.

Objection has been made that the 40/48 pulls harder than the 44/52. In answer, there is only a 10 per cent reduction in height of wheels, and tests show even under extreme conditions only a 2 per cent difference in draft. Under ordinary road conditions the difference in draft is not readable on a dynamometer.

The only other possible objection to the elimination of the old style high wheel is that in stump countries, as in Arkansas and

Eastern Texas, the stumps are so high as to interfere with the front axle when using only 40'' front wheels.

The difference in the heights of the front axle from the ground as between 40'' and 44'' front wheels is only 2 inches, the 40'' construction having 18'' and 19'' clearance. This so called medium height wheel wagon has taken well in the rough sections of the states mentioned, and a little education will wipe out these fancied objections.

Furthermore, with the 40/48 wheel height the wagon box is lower, closer to the ground, and easier to load into.

Then—40/44 as medium height, which is largely used in the East and South.

Then 36/44 as low wheel construction.

FOURTH—STANDARDIZING TIRE WIDTHS AND THICKNESSES.

This last proposition is, I believe, of more vital interest to your Honorable Body than the sections preceding this. I take this to be a fact, because you all necessarily would be interested in good road building and road preservation.

Therefore, a sane, simple standardization of wagon tire widths, based on various sizes of wagons and according to the maximum size of load carried by the average wagon, is of vast importance.

At the present time, there are over 50 different widths and thicknesses of tires demanded on the various heights of wheels and on various sizes of wagons. The result is that a wagon factory catering to the trade in various parts of the country, is compelled to carry many hundreds of different sets of wheels in order to supply the demands. This wheel situation alone is little short of ridiculous.

Farmers throughout the country have clung to the narrow tire because of the deep ruts in the road made by the other fellow's wagons having narrow tires, and when a farmer comes to buy a new wagon, he dare not buy a 3'' tire wagon because four horses couldn't pull the wide tire wagon when the wheels got down into ruts with narrow bottoms made by narrow tire wagons.

I take it from the sentiment of those interested in better roads lies entirely in recommending and forcing the use of wide tires. Therefore, I have the following table to suggest as a standard tire equipment.

Wood Axle w/Cast or Steel Skein.	Size.	Solid Steel Axles, Size.	Tubular or Hollow Axles, Size.	Width of Tire.
1 Horse	2-1/8''	1-1/8''	.....	These sizes to have tire 1 1/2'' wide.
	2 1/4''	1 1/4''	1-5/8''	These sizes to have tire 2'' wide.
Light 2-horse	2-3/8''	.....	1-3/8''	These sizes to have tire 2'' wide.
	2 1/2''	1-3/8''	1-7/8''	These sizes to have tire 2'' wide.
Medium 2-horse	2 3/4''	1 1/2''	2''	These sizes to have tire 2 1/2'' wide.
	3''	1-5/8''	2-1/8''	These sizes to have tire 3'' wide.
Standard 2-horse	3 1/4''	1 3/4''	2-3/8''	These sizes to have tire 3'' wide.
	3 1/2''	2''	2-5/8''	These sizes to have tire 4'' wide.
Heavy 2-horse	3 3/4''	2 1/4''	2-7/8''	These sizes to have tire 4'' wide.
	4''	2-3/8''	3-1/8''	These sizes to have tire 4'' wide.
	4 1/4''	2 1/2''	.....	These sizes to have tire 5'' wide.
	4 1/2''	2-5/8''	.....	These sizes to have tire 5'' wide.

At the present time, something over 45 various thicknesses of tire are required. Some of the differences in the thicknesses are so small that it takes an expert to tell the difference between the tires. As an instance, the difference between 9/16" and 5/8" thicknesses is 1/16th of an inch. This difference is so trifling that an expert handling a dozen wheels, six of 9/16" and six of 5/8" thickness, absolutely cannot tell them apart after he has handled the first two of the twelve.

Then again, on a 1½" tire alone, we are required to build wheels of various heights and in the various thicknesses.

1½ x 3/8    1½ x 5/8    1½ x ¾    1½ x 1    1½ x 9/16

Now as to the various thicknesses of tire. On wide tire wagons 3/8" and ½" thickness should be the rule; that is, on light wagons carrying tires from 1½" to 2½" in width. On the 3, 4 and 5 in. tires, I would recommend 3/8 in. for soft roads or trucks used on the farm only; 1/2 in. thicknesses for ordinary road conditions and 5/8 or ¾ in. thickness for rough sections where rock is encountered in the roads, MacAdam, etc.

#### RECOMMENDATIONS AS TO METHODS FOR BRINGING ABOUT STANDARDIZATION OF WAGON EQUIPMENT.

The consensus of opinion seems to be that we should have uniform wide tire laws passed by the various State Legislatures. If we can arrive at some decision as to what we want and what is needed; then remains simply the problem of best reaching those men who have it in their power to pass this uniform tire law.

We have all noticed that the various states are passing wide tire laws, and every law is at variance with every other law.

I think what is needed is a plan worked out definitely whereby each size of wagon now in use shall be equipped with a tire sufficiently wide to carry a maximum load without injuring the road bed. Such a table, coupled with a road law worded as would be approved by the Road Engineers connected with the various Agricultural Colleges and backed by your Society, would meet the approval of every body of Legislators in every State. It is no criticism of our law makers to state that they have in the past, in many cases, voted blindly for road laws because they have no guide and have not understood just what was needed to better preserve the road bed.

If laws are made in the various states with definite similarity as to wording and forced equipment of tire widths, farmers will buy wide tire wagons accordingly, and soon change the road conditions for the better.

I would like to say that the Manufacturer has no selfish interest in forcing wide tires in place of narrow tires, as he would just as soon build one as the other. However, we are all interested in simplifying the variety and we have of course a big interest in road betterment. In other words, we have no axe to grind in connection with the changing of tire widths, other than simplification.

The Wagon Manufacturers, Implement Men and Jobbers are vitally interested in the other forms of standardization and simplification as described. The Consumer would be assured of a better

product in the wagon he buys, and he will, by co-operating with the manufacturer, obviate the necessity for very large increases in the cost of wagons within the next year or two. Farm wagons cannot be long made under the job shop plan now existing without the necessity of having to materially increase prices to the consumer.

I believe that there is only one sane basis upon which to start an agitation working toward the standardization described; viz: To create such a sentiment in various ways as will bring the Public generally to an appreciation of what is to be gained. A great deal of good can be done by your Honorable Body backing and recommending standardization along the lines described—or with such changes and additions as you may see fit to recommend. The various Agricultural Colleges can do a great deal.

The Farm Papers can be enlisted in our favor. I believe they will cheerfully publish any matter that is given to them along these lines.

Then, I think that a definite plan should be laid out and published through various channels, copies forwarded to the Legislators of our various states, and copies sent to all Road Commissioners, enlisting their efforts.

In turn, the National Wagon Makers Association could get back of a plan and pass resolutions agreeing that after certain dates, certain changes in simplification and standardization be adopted at all wagon factories.

In turn, the various wagon factories, through their traveling salesmen and jobbers, could carry on a definite campaign with the trade and farmers generally, working toward the same results.

There is no question in my mind but that every man in this country, regardless of whether he live in a town or in the country, is interested in better roads. The automobile people are wise in consistently refusing to build anything but narrow track, and they have been able to hold to one track.

Wide tires on all wagons will mean better roads, the hauling of heavier loads with less horse power, less wear and tear on the wagon, team and equipment, besides saving of time required to market the farmer's product. This matter of time alone is getting to be a tremendous factor to the farmer, owing to the scarcity and the high price of farm labor.

I think I can speak very decidedly for the Wagon Manufacturers in saying that they will be willing and anxious to co-operate with this Body to bring about results that cannot help but be of vast benefit to the country as a whole.

In conclusion, will say I would be very glad to have your suggestions and criticisms. In speaking for the Wagon Manufacturers as a whole, I think I would be safe in saying that our interests and the interests of the consumer are so nearly identical that they would be willing and glad to co-operate for the standardization plan that will work to the greatest benefit of all concerned.

## EXHIBIT 18.

## RECOMMENDATIONS OF THE NATIONAL PLOW ASSOCIATION TO ITS MEMBERS REGARDING LIST PRICES, STANDARD SPECIFICATIONS, EQUIPMENT, ETC., 1907-1909.

*To the members of the National Plow Association:*

This booklet contains the LIST PRICES of Walking Plows, Extra Shares and Lever Harrows; also STANDARD EQUIPMENT for all Implements recommended by the Association since its organization, viz:

[Index to booklet omitted.]

None of the within recommendations are intended in any way to regulate the NET SELLING PRICES.

Respectfully, yours,

CHARLES E. SANDERS, *Secretary.*

SUITE NO. 525 AMERICAN TRUST BLDG.,  
Chicago, June 21, 1909.

## LIST PRICES OF WALKING PLOWS.

RECOMMENDED MAY 8, 1907.

## STUBBLE SERIES.

Steel Beam, Medium Landside, Double Shin, Soft Center Mould, and Slip Share.

12 in-----	\$17. 00	16 in-----	\$21. 50
14 in-----	19. 00	18 in-----	25. 00

## STUBBLE SERIES.

Steel Beam, Low Landside, Double Shin, Soft Center Mould, and Slip Share.

12 in-----	\$17. 00	16 in-----	\$21. 50
14 in-----	19. 00	18 in-----	25. 00

## TURF AND STUBBLE SERIES.

Steel Beam, Medium Landside, Double Shin, Soft Center Mould, and Slip Share.

12 in-----	\$18. 00	16 in-----	\$22. 50
13 in-----	19. 00	18 in-----	26. 00
14 in-----	20. 00		

## TURF AND STUBBLE SERIES.

Steel Beam, Low Landside, Double Shin, Soft Center Mould, and Slip Share.

12 in-----	\$18. 00	16 in-----	\$22. 50
13 in-----	19. 00	18 in-----	26. 00
14 in-----	20. 00		

It is recommended that the 13 in., 15 in. and 17 in. in the Stubble Series, both steel and wood beam, be dropped, and that the 15 in.

and 17 in. in the Turf and Stubble Series, steel and wood beam, be dropped, also Upset or Single Shin Plows in both the Stubble and Turf and Stubble Series, be dropped from the list.

MIXED LAND—BLUE SERIES.

Steel Beam, Soft Center Mould, Crucible Share and Landside, Double Shin, Slip Heel, Medium Landside, with Extra Crucible Share.

	Northern list.	Southern list.		Northern list.	Southern list.
7 in.....	\$10.00	\$12.50	11 in.....	\$15.75	\$19.00
8 in.....	11.00	14.00	12 in.....	17.00	21.50
9 in.....	12.50	15.50	14 in.....	19.75	24.50
10 in.....	14.50	17.00	16 in.....	22.50	27.00

MIXED LAND—BLUE SERIES.

Steel Beam, Solid Mould, Crucible Share and Landside, Double Shin, Slip Heel with Extra Crucible Share.

	Northern list.	Southern list.		Northern list.	Southern list.
7 in.....	\$9.00	\$11.50	11 in.....	\$14.75	\$18.00
8 in.....	10.00	13.00	12 in.....	16.00	20.50
9 in.....	11.50	14.50	14 in.....	18.50	23.25
10 in.....	13.50	16.00	16 in.....	21.25	25.75

N. B.—The above 7-inch—Northern List—were reduced from \$11.00 and \$10.00 to \$10.00 and \$9.00 respectively, April 30, 1909.

BLACK LAND SERIES.

Steel Beam, Soft Center Mould, Wrought Frog, Crucible Slip Share and Landside, Single Shin, with Extra Crucible Share.

Southern List Only.		Southern List Only.	
6 in.....	\$10.50	11 in.....	\$18.00
7 in.....	11.50	12 in.....	20.50
8 in.....	13.00	13 in.....	22.00
9 in.....	14.50	14 in.....	23.50
10 in.....	16.00		

SANDY LAND SERIES.

Steel Beam, Soft Center Mould, Wrought Frog, Crucible Slip Share and Landside, with Extra Crucible Share.

Southern List Only.		Southern List Only.	
7 in.....	\$11.00	11 in.....	\$17.00
8 in.....	12.50	12 in.....	18.50
9 in.....	14.00	14 in.....	22.50
10 in.....	15.50	16 in.....	25.00

WOOD BEAM PLOWS.

It is recommended that the list price on Wood Beam Plows in the Stubble, Turf and Stubble, Mixed Land, Black Land, Sandy Land

as listed above, be listed \$1.00 each over Steel Beam, up to and including 11 in., and \$2.00 for 12 in. and above.

On Railroad and Township Plows add \$3.00 each to the list prices you are now using.

WOOD OR STEEL STANDARD OR HAZEL PLOWS—STUBBLE SERIES.

Wood Beam, Soft Center Mould, Wood or Steel Standard, Solid Bar Share, Iron Strap under Beam with Quincy or Reversible Coulter with Clamp.

10 in.....	\$16.60	13 in.....	\$19.60
11 in.....	17.60	14 in.....	20.60
12 in.....	18.60	16 in.....	23.60

WOOD OR STEEL STANDARD OR HAZEL PLOWS—TURF AND STUBBLE SERIES.

Wood Beam, Soft Center Mould, Wood or Steel Standard, Solid Bar Share, Iron Strap under Beam with Quincy or Reversible Coulter with Clamp.

10 in.....	\$16.60	13 in.....	\$19.60
11 in.....	17.60	14 in.....	20.60
12 in.....	18.60	16 in.....	23.60

Add \$1.00 to the above list prices on each size for Beam Strapped top and bottom.

BAR SHARE PLOWS—STUBBLE SERIES.

Steel Beam, Low Landside, Double Shin, Soft Center Mould and Share.

10 in.....	\$15.00	14 in.....	\$19.00
11 in.....	16.00	16 in.....	21.50
12 in.....	17.00		

BAR SHARE PLOWS—TURF AND STUBBLE SERIES.

Steel Beam, Low Landside, Double Shin, Soft Center Mould and Share.

10 in.....	\$15.00	14 in.....	\$19.00
11 in.....	16.00	16 in.....	21.50
12 in.....	17.00		

TIMBER LAND PLOWS.

Wood Beam, Soft Center Mould, Malleable or Steel Standard, Solid Bar Share, Iron Strap Under Beam, with Quincy Cutter and clamp.

11 in.....	\$18.00	14 in.....	\$22.00
12 in.....	20.00		

Add for Beam Strapped Top and Bottom \$1.00 list Extra to above sizes.

COMBINATION EASTERN PLOWS.

From the Turf and Stubble list shown on page 2<sup>1</sup> when equipped with cast share and extra cast share deduct from list \$1.50 each size.

<sup>1</sup> See p. 282.



When equipped with cast landside, cast share and extra cast share deduct \$3.00 each size.

RECOMMENDED APRIL 30, 1909.

When equipped with cast landside deduct from list 50 cents each size.

MIDDLE BREAKERS.

Steel Beam, Soft Center Mould, Crucible Share, no Extra Share.

8 in.....	\$14.50	12 in.....	\$16.50
9 in.....	15.00	14 in.....	19.00
10 in.....	15.50	16 in.....	23.00

For Solid Mould instead of Soft Center deduct \$1.50 from above list for corresponding sizes.

RECOMMENDED MAY 8, 1907.

PRAIRIE BREAKERS.

Solid Mould, Gauge Wheel, Rolling Coulter, Crucible Slip Share and Extra Crucible Share.

12 in.....	\$22.50	16 in.....	\$27.50
14 in.....	24.50	18 in.....	28.50

Add with Soft Center Mould instead of Solid Mould \$2.00 list to each size.

Add for Bar Welded Share \$2.00 list to each size, in both Solid and Soft Center Moulds.

Deduct \$1.00 list when Standing Coulter is substituted for Rolling Coulter.

Deduct if Gauge Wheel not wanted \$1.50 list.

Deduct \$2.00 list if Fin Cutter is furnished instead of Rolling Coulter.

BRUSH BREAKERS.

Heavy Long Bar Share, Strap under Beam, Standing Coulter, Gauge Wheel, Solid Mould and no Extra Share.

12 in.....	\$25.00	18 in.....	\$33.00
14 in.....	27.50	20 in.....	37.50
16 in.....	30.00		

If Strap under Beam is not furnished deduct \$1.00 list each size.

If Soft Center Mould is furnished add \$3.00 list each size.

WISCONSIN BREAKERS.

Wood Beam, Solid Bar Share, Standing Coulter, Gauge Wheel, Solid Mould Board and no Extra Share.

12 in.....	\$30.00	20 in.....	\$42.00
14 in.....	31.00	22 in.....	46.00
16 in.....	34.00	24 in.....	49.00
18 in.....	38.00		

LIST PRICES OF PLOW PARTS.

RECOMMENDED MAY 8, 1907.

EXTRA BOTTOMS.

Extra Bottoms for Stubble and Turf and Stubble Walking and Riding Plows, Soft Center Mould and Share.

12 in.....	\$14.00	16 in.....	\$17.00
13 in.....	14.00	18 in.....	19.00
14 in.....	15.00		

For Crucible Mould Board deduct \$1.00 list from each size. For Crucible Share deduct 50 cents from each size.

BREAKER BOTTOMS FOR RIDING PLOWS, SOLID MOULD WITH EXTRA SHARE.

12 in.....	\$14.00	16 in.....	\$17.00
13 in.....	14.00	18 in.....	19.00
14 in.....	15.00		

For Soft Center Mould Board on above add \$2.00 list to each size.

PLOW FIXTURES.

Fin Cutter and Bolt for Walking Plow.....	\$1.00	List
Steel Jointer for Walking Plow.....	2.50	List
Chilled Jointer for Walking Plow.....	2.00	List
Combination Steel and Chilled Jointer for Walking Plow.....	2.25	List

No Uniform list price is recommended for the following class of plows for the reason there seems to be a varied equipment, and weight of same:

Township Road Plows.		Root and New Ground Plows.
Railroad Plows.		Potato Diggers.
Corn Plows.		Chilled Plows.
Rod Breakers.		

LIST PRICES OF HARROWS.

RECOMMENDED MAY 8, 1907.

It is recommended to place all Steel and Wood Bar Harrows except the Boss Harrows on a list price and to quote net prices by using discount from the list the same as is the common practice in quoting net prices on Walking Plows.

PIPE OR U BAR 5 RAIL STEEL LEVER HARROW SECTIONS.

25 Tooth 5 Bar Section Pipe or U Bar ½ in. T.....	\$6.25
25 Tooth 5 Bar Section Pipe or U Bar ⅝ in. T.....	6.60
30 Tooth 5 Bar Section Pipe or U Bar ½ in. T.....	6.60
30 Tooth 5 Bar Section Pipe or U Bar ⅝ in. T.....	7.00
35 Tooth 5 Bar Section Pipe or U Bar ½ in. T.....	7.30
35 Tooth 5 Bar Section Pipe or U Bar ⅝ in. T.....	7.75

For Runners add 40 cents per section list. Revised April, 1908. See below.

For 4 Rail Harrows deduct 40 cents per section list.

For Adjustable Tooth on Pipe Harrow add 50 cents per section list.

GUARDED END SPRING BELIEF, STEEL LEVER HARROW SECTIONS.

25 Tooth ½ in. Teeth.....	\$6.60	30 Tooth ⅝ in. Teeth.....	\$7.40
25 Tooth ⅝ in. Teeth.....	7.00	35 Tooth ½ in. Teeth.....	7.70
30 Tooth ½ in. Teeth.....	7.00	35 Tooth ⅝ in. Teeth.....	8.15

For Runners add 40 cents per section list. Revised April, 1908.  
See below.

For 4 Rail Harrows deduct 40 cents per section list.

RECOMMENDED APRIL 8, 1908.

*Runners.*—For Independent or a One-Piece Runner—add, per section list, \$0.40.

For Combination Runner and Tooth or Tooth Socket—charge optional.

*Relief Springs.*—Guarded End Lever Harrows not Equipped with Relief Springs, deduct from list prices per section, \$0.20.

RECOMMENDED MAY 8, 1907.

WOOD BAR 5 RAIL LEVER HARROW SECTIONS—SQUARE OR ZIGZAG OPEN END.

5 Foot Section, 30 Tooth, 1/2 in. Teeth	-----	\$7.00
5 Foot Section, 30 Tooth, 5/8 in. Teeth	-----	7.50
6 Foot Section, 35 Tooth, 1/2 in. Teeth	-----	7.70
6 Foot Section, 35 Tooth, 5/8 in. Teeth	-----	8.25
5 Foot Section, 40 Tooth, 1/2 in. Teeth	-----	7.50
5 Foot Section, 40 Tooth, 5/8 in. Teeth	-----	8.00

For Runners add 40 cents per section list.

For 4 Rail deduct 40 cents per section list.

WOOD OR STEEL BAR FLEXIBLE 5 RAIL HARROW SECTIONS.

5 Foot Section, 1/2 in. Teeth	-----	\$7.50
6 Foot Section, 1/2 in. Teeth	-----	8.50

For Runners add 40 cents per section list.

For 4 Rail Steel Bar deduct \$1.00 per section list.

COMBINATION EVENERS 4 AND 5 BAR HARROWS, ALL STYLES.

4 Foot Evener, 1 Section	----	\$0.90	12 Foot Evener, 3 Section	----	\$3.00
5 Foot Evener, 1 Section	----	.95	15 Foot Evener, 3 Section	----	3.50
6 Foot Evener, 1 Section	----	1.00	16 Foot Evener, 4 Section	----	4.50
8 Foot Evener, 2 Section	----	1.65	18 Foot Evener, 3 Section	----	4.00
10 Foot Evener, 2 Section	----	1.85	20 Foot Evener, 4 Section	----	6.00
12 Foot Evener, 2 Section	----	2.05	24 Foot Evener, 4 Section	----	7.00

RECOMMENDED APRIL 8, 1908.

THREE AND FOUR SECTION EVENERS.—Consisting of One Long Wood Bar and Draft Irons, Complete.

75 Tooth Evener, 3 Section	---	\$2.25	100 Tooth Evener, 4 Section	---	\$3.50
90 Tooth Evener, 3 Section	---	2.75	120 Tooth Evener, 4 Section	---	5.00
105 Tooth Evener, 3 Section	---	3.25	140 Tooth Evener, 4 Section	---	6.00

Recommended May 8, 1907.

STEEL LEVER HARROWS—5 BAR PIPE OR U-BAR WITH EVENERS.

	With 1/2 in. teeth.		With 5/8 in. teeth.	
	Comb. Evener.	With One Piece Evener.	Comb. Evener.	With One Piece Evener.
50 Tooth	\$14.14	-----	\$14.85	-----
60 Tooth	15.05	-----	15.85	-----
70 Tooth	16.65	-----	17.55	-----
75 Tooth	21.75	\$21.00	22.80	\$22.05
90 Tooth	23.30	22.55	24.50	23.75
100 Tooth	29.50	28.50	30.90	29.90
105 Tooth	25.90	25.15	27.25	26.50
120 Tooth	32.40	31.40	34.00	33.00
140 Tooth	36.20	35.20	38.00	37.00

## STEEL LEVER HARROWS—5 BAR GUARDED END, SPRING RELIEF WITH EVENERS.

	With $\frac{1}{2}$ in. teeth.		With $\frac{3}{8}$ in. teeth.	
	Comb. Evener.	With One Piece Evener.	Comb. Evener.	With One Piece Evener.
50 Tooth.....	\$14. 85	-----	\$15. 65	-----
60 Tooth.....	15. 85	-----	16. 65	-----
70 Tooth.....	17. 45	-----	18. 35	-----
75 Tooth.....	22. 80	\$22. 05	24. 00	\$23. 25
90 Tooth.....	24. 50	23. 75	25. 70	24. 95
100 Tooth.....	30. 90	29. 90	32. 50	31. 50
105 Tooth.....	27. 10	26. 35	28. 45	27. 70
120 Tooth.....	34. 00	33. 00	35. 60	34. 60
140 Tooth.....	37. 80	36. 80	39. 60	38. 60

## WOOD RAIL LEVER HARROWS, 5 BAR—SQUARE END OR ZIG ZAG OPEN END WITH EVENERS.

	With $\frac{1}{2}$ in. teeth.	With $\frac{3}{8}$ in. teeth.		With $\frac{1}{2}$ in. teeth.	With $\frac{3}{8}$ in. teeth.
60 Tooth, 10 Foot.....	\$15. 85	\$16. 85	140 Tooth, 24 Foot.....	\$37. 80	\$40. 00
70 Tooth, 12 Foot.....	17. 45	18. 55	80 Tooth, 10 Foot.....	16. 85	17. 85
90 Tooth, 15 Foot.....	24. 50	26. 00	120 Tooth, 15 Foot.....	26. 00	27. 50
105 Tooth, 18 Foot.....	27. 10	28. 75	160 Tooth, 20 Foot.....	36. 00	38. 00
120 Tooth, 20 Foot.....	34. 00	36. 00			

## WOOD OR STEEL RAIL FLEXIBLE HARROWS WITH EVENERS, 5 BAR.

	With $\frac{1}{2}$ in. teeth.	With $\frac{3}{8}$ in. teeth.	
10 Foot.....	\$16. 85	18 Foot.....	\$29. 50
12 Foot.....	19. 05	20 Foot.....	36. 00
15 Foot.....	26. 00	24 Foot.....	41. 00

## DISC HARROWS—CLASSIFICATION AND EQUIPMENT.

RECOMMENDED JUNE 12, 1907.

BASIC DISC HARROW shall consist of Single Lever, 16-inch Blades—no Weight Boxes, Neck Yoke or Stay Chains.

4 and 5 foot equipped with 2-Horse Eveners.

6 foot and larger equipped with 3-Horse Eveners with Set-Over Irons or 4-Horse Eveners.

The following to be considered as extras and always charged for when furnished:

Set-Over Irons with 4-Horse Hitch.  
Tongue Truck or Fore Carriage.  
6-Horse Hitch.  
Center Cut Attachment.

Double Lever.  
Weight Boxes.  
Neck Yoke.  
Stay Chains.

It is further recommended that the minimum differences in prices, all sizes, be as follows:

## SIZE OF DISCS.

18-in. Blades for 4 and 5-ft. widths, \$1.50 net more than 16-in. blades.

18-in. Blades for 6-ft width or more, \$2.00 net more than 16-in. blades.

20-in. Blades for 4 and 5-ft. widths, \$3.00 net more than 16-in. blades.

20-in Blades for 6-ft. width or more, \$4.00 net more than 16-in. blades.

WIDTH OF CUT.

\$1.00 net additional between 4 and 5-ft. Harrows.

2.00 net additional between 5, 6, 7 and 8-ft Harrows.

2.50 net additional between 8, 9 and 10-ft. and larger Harrows.

It is recommended that all Disc Blades may be polished on the Concave side only at no additional charge.

It is recommended that the price of \$1.00 net, be made on Plow Cut Disc Harrows over the Solid or Concave Blades in all sizes.

Also this style of Harrow be made in 16-inch Blades only.

RECOMMENDED APRIL 30, 1909.

That the above clauses pertaining to Plow Cut Discs be rescinded on account of one member making Plow Cut Discs a specialty and at about the same cost as the Solid Discs.

It is recommended that the price of Cut Out Disc Harrow to be 12½ cents net per blade, more than solid or concave blades.

RECOMMENDED APRIL 30, 1909.

That the minimum net differences in prices for Cut Out Disc Harrows over Solid or Plain Disc Harrows be changed to read as follows:

4 Foot.....	\$0.50	8 Foot.....	\$1.50
5 Foot.....	0.75	9 Foot.....	1.75
6 Foot.....	1.00	10 Foot.....	2.00
7 Foot.....	1.25		

It is understood that an exception will be made for Disc Harrows so constructed that it is necessary to furnish them with Double Lever and Weight Boxes; then the price may be made to include these extras, but in all other cases Disc Harrows should be priced without these parts.

CULTIVATORS.

RECOMMENDED JUNE 12, 1907.

BASIC SHOVEL CULTIVATOR—WALKING AND RIDING—TO BE 4 SHOVEL, STEEL BEAM, PIN BREAK.

Classification.	Equipment.
1. Walking tongue, with rigid or adjustable arch, straight axle or balance frame.	1. Neck yoke, hitch, shovels, wrench, shields and handles.
2. Walking tongueless, with rigid or adjustable arch, with or without spring lift.	2. Hitch, shovels, wrench, shields and handles.
3. Straight Rider, Hammock seat, rigid or pivot tongue.	3. Neck yoke, hitch, shovels, shields and wrench. (No spreader arch.)
4. Straight Rider, pivot axle.....	4. Neck yoke, hitch, shovels, shields and wrench.
5. Straight Riding surface.....	5. Neck yoke, hitch, wrench, shields and levelers.
6. Foot Shift or Foot Guide Riding, rigid or pivot tongue.	6. Neck yoke, hitch, shovels, wrench and shields.
7. Straight combined Riding and Walking, straddle seat, rigid or pivot tongue.	7. Neck yoke, hitch, wrench, shields, shovels and handles.
8. Two Row with rigid tongue.....	8. Three horse hitch, two neck yokes, wrench, shovels and shields.
9. Two Row with pivot axle.....	9. Three horse hitch, two neck yokes, wrench, shovels and shields.
10. Disc, rigid or pivot tongue.....	10. Neck yoke, hitch, wrench and shields.
11. Single Row sled lister.....	11. Regular.
12. Single Row wheel lister.....	12. Two discs, two shovels, two horse hitch and neck yoke.
13. Double Row wheel lister.....	13. Four discs, four shovels, shields, two two-horse hitches and two neck yokes.
14. Double Row wheel lister with high frame (or three times over).	14. Same as No. 13.

The following to be considered as extras and always charged for when furnished:

Moldboard Turning Shovels.  
Spring Trip Legs.  
Gopher Blades.  
Hilling Shovels.  
Bull Tongues.  
Pipe Beams.  
Surface Gangs.

Canopy Tops.  
Levelers for Disc Cultivators.  
Lister Bars for Disc Cultivators.  
Pivot Pole, or Pivot Pole Attachment.  
Handles, with Hammock Seat, Foot Shift or Two Row.

It is further recommended that the minimum net differences in prices be as follows:

6 shovel over 4 shovel-----	\$1.00	Spring trip over pin break	
8 shovel over 4 shovel-----	2.00	(per leg)-----	\$0.37½
Eagle Claw over 4 shovel-----	1.00	Pivot pole or pivot attach-	
8 Tooth Spring Tooth Gang		ment-----	1.00
over 4 shovel-----	1.50	Lister bars on disc cultivator--	.50
10 Tooth Spring Tooth Gang			
over 4 shovel-----	2.00		

It is understood that Spreader Arches be considered a part of the regular equipment of Combined Riding and Walking Cultivators, Pivot Axle Cultivators, Crank Guide Cultivators and Two Row Cultivators, and a reduction of fifty cents each can be allowed when these arches are not furnished, excepting on the Crank Guide Cultivators, when they are also equipped with return springs, then they are to be considered as extras and a charge of fifty cents made for them.

RIDING PLOWS.

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. Sulky Plow, Low Lift, Frameless, no Pole.....	16 inch Bottom, Seat, 1 Land Wheel, 2 Furrow Wheels, 3-horse Evener, Weed Hook, 15 inch Rolling Coulters, Scraper for rear Wheel and flat Wrench.
2. Sulky Plow, High Lift, with Frame and Pole....	16 inch Bottom, Seat, 1 Land Wheel, 2 Furrow Wheels, 3-horse Evener, Neckyoke, Weed Hook, 15 inch Rolling Coulters, Scraper for rear Wheel, and flat Wrench.
3. Gang Plow, Low Lift, Frameless, no Pole.....	Two 14 inch Bottoms, Seat, 1 Land Wheel, 2 Furrow Wheels, 4-horse Evener, 2 Weed Hooks, two 15 inch Rolling Coulters, Scraper for rear Wheel, and flat Wrench.
4. Gang Plow, High Lift, with Frame and Pole....	Two 14 inch Bottoms, Seat, 1 Land Wheel, 2 Furrow Wheels, 4-horse Evener, Neckyoke, two 15 inch Rolling Coulters, 2 Weed Hooks, Scraper for rear Wheel and flat Wrench.

It is recommended that when the following Equipment is furnished with Riding Plows, the ADDITIONAL LIST PRICES be as Follows:

Pole Attachment for Low Lift Sulky or Gang-----	\$3.00
Front Furrow Wheel Scraper-----	.50
Jointer, Steel-----	3.00
Jointer, Cast Iron-----	2.50
Umbrella or Sunshade, Complete-----	3.00
Four-Horse Evener over 3-Horse for Sulky-----	2.00
Five-Horse Abreast or Strung-out Evener Over 4-Horse for Gang-----	3.00
Five-Horse Strung-out Evener, less Lead, Doubletree, over 4-Horse for Gang-----	2.00
Six-Horse Evener over 4-Horse for Gang-----	4.00
Extra Heavy Beams for Gang Plow-----	4.00
Sweep Attachment for Low Lift Sulky-----	3.00
Middle Breaker Attachment for Low Lift Sulky-----	

**RIDING PLOWS equipped with Black Land, Sandy Land, or Breaker Bottoms, REGULAR WITH EXTRA SOLID SHARES (the same as Walking Plows).**

**LISTING PLOWS.**

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. Walking Lister, 14 in. S. C. Steel Bottom.....	Sub-soil Attachment.
2. Walking Combined Lister, 14 in. S. C. Steel Bottom.	Sub-soil Attachment, Independent Drill Attachment, Covering Shovels, 6 Plates (including one in Machine and one blank), Root Cutter and small Wrench.
3. Two Wheel Sulky Lister, 14 in. S. C. Steel Bottom.	Drill Attachment, 13 or 14 inch Rolling Coultter, Covering Shovels, Sub-soiler, Seat, Pole, 4-Horse Evener, Neckyoke, 6 Plates (including one in Machine and one blank), Root Cutter and Flat Wrench.
4. Four Wheel Sulky Lister, with 14 in. S. C. Steel Bottom.	Drill Attachment, 13 or 14 inch Rolling Coultter, Sub-soiler, Shovel or Knife Coverers, Pole, 4-Horse Evener, Neckyoke, 6 Plates (including one in Machine and one blank), rear Wheel Scrapers, Root Cutter and flat Wrench.
5. Tongueless Lister, with four wheels and 14 in. S. C. Steel Bottom.	Drill Attachment, 13 or 14 inch Rolling Coultter, Sub-soiler, Shovel or Knife Coverers, 4-Horse Evener, 6 Plates (including one in Machine and one blank), rear Wheel Scrapers, Root Cutter and flat Wrench.
6. Two Row Sulky Lister, with two 14 in. S. C. Steel Bottoms.	2 Drill Attachments, two 13 or 14 inch Rolling Coultters, Seat, 2 pairs Shovel or Knife Coverers, 2 Sub-soilers, 6-Horse Evener, Pole, Neckyoke, 12 Plates (including two in Machine and two blank), and flat Wrench.

It is recommended that when the following special equipment is furnished with plows, the ADDITIONAL LIST PRICES be as follows:

- 1. Pole for Tongueless Lister.....not less than \$3.00 each
- 2. Disc Coverers:
  - 10 inch and under..... “ “ “ 1.00 pair
  - over 10 inches..... “ “ “ 2.00 “
- 3. Cotton Planter Attachment..... “ “ “ 2.00 each

It is further recommended that when the following Parts are not furnished with plows, the MAXIMUM DEDUCTION IN LIST PRICES be as follows:

- Sub-soiler Attachment..... \$1.50 each
- Solid Steel Shares in place of Soft Center Steel Shares..... 1.00 “

**DISC PLOWS.**

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. Sulky.....	24 in. Disc, 3-Horse Evener, Disc Scraper or Cleaner and Wrench.
2. Two Furrow Gang.....	Two 24 in. Discs, 4-Horse Evener, Disc Scrapers or Cleaners and Wrench.
3. Three Furrow Gang.....	Three 24 in. Discs, 4-Horse Evener, Disc Scrapers and Wrench.
4. Four Furrow Gang.....	Four 24 in. Discs, 6-Horse Evener Disc Scrapers or Cleaners and Wrench.

It is recommended that when the following equipment is furnished with Plows, the ADDITIONAL LIST PRICES be as follows:

Weed Hooks.....	each	\$ .50
Plows with 26 inch Disc.....	extra per disc	1.00
Cast Iron Wheel Weights.....	per pound	.06
4-Horse Evener over 3-Horse for Sulky.....	extra, each	2.00
5-Horse Abreast or Strung-out Evener over 4-Horse for Gang.....	extra, each	3.00
5-Horse Strung-out Evener, less Lead Doubletree, over 4-Horse for Gang.....	extra, each	2.00
6-Horse Evener over 4-Horse for Two or Three Furrow Gang.....	extra, each	4.00

#### ROD BREAKING PLOWS.

Classification.	Equipment.
1. Rod Breaking Plows, with Steel Beam, and Fin Cutter attached to Bottom.	Extra Share with Fin Cutter, Gauge Wheel or Gauge Shoe.

#### CORN PLANTERS AND DRILLS.

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. Corn Planter, 2-Row, with combined check Rower and Drill.	Pole, Seat, 1 pr. 30 in. Wheels with open or concave Tire, set for 3'-2", 3'-4", 3'-6", 3'-8" or 3'-10", 5 prs. Plates (including one in Machine), 1 Marker Rope, 4 extra links Drive Chain, 80 Rods C. R. 3'-2", 3'-4", 3'-6", 3'-8", or 3'-10" Wire, 6 extra Open Links for C. R. Wire, 1 C. R. Rope, 1 pr. Steel Stakes for C. R. Wire, one plain Wrench (not Monkey).
2. Corn Planter, 2-Row with Drill, less Check Rower.	Pole, Seat, 1 pr. 30 in. Wheels, with open or Concave Tire, set for 3'-2", 3'-4", 3'-6", 3'-8", or 3'-10", 5 prs. plates (including one in Machine), 1 Marker Rope, 4 extra links Drive Chain, one Plain Wrench (not Monkey).
3. Corn Planter, 2-Row, with Check Rower—Full Hill Drop (no Drill).	Pole, Seat, 1 pr. 30 in. Wheels, with open or Concave Tire, set for 3'-2", 3'-4", 3'-6", 3'-8", or 3'-10", 3 prs. Plates (including one in Machine), 1 Marker Rope, 4 extra links Drive Chain, 80 Rods C. R. Wire, 3'-2", 3'-4", 3'-6", 3'-8", or 3'-10", 6 extra open Links for C. R. Wire, 1 C. R. Rope, 1 pr. Steel Stakes for C. R. Wire, one Plain Wrench (not Monkey).
4. Corn Drill, 2 Row.....	Pole, Seat, 1 pr. 30-in. Wheels with open or Concave Tire, 3 prs. Plates (including one in Machine), 1 Marker Rope, 4 extra Links Drive Chain, one Plain Wrench (not Monkey).
5. Corn Drill, 2 Row Edge Drop.....	Pole, Seat, 1 pr. 30-in. Wheels with open or Concave Tire, 5 prs. Plates (including one in Machine), 1 Marker Rope, 4 extra Links Drive Chain and one Plain Wrench.
6. Combined Corn and Cotton Planter, 2 Row with Check Rower and Drill.	Pole, Seat, 1 pr. 30-in. Wheels with open or Concave Tire set for 3'-2", 3'-4", 3'-6", 3'-8", or 3'-10", 5 prs. Plates (including one in Machine), 1 pr. Cotton Agitator Plates, 6 extra open Links for C. R. Wire, 1 C. R. Rope, 1 pr. Steel Stakes and 1 plain Wrench.
7. Combined Cotton and Corn 2 Row Drill.....	Pole, Seat, 1 pr. 30-in. Wheels with open or Concave Tire, 4 prs. Plates (including one in machine), 1 pair Cotton Agitator Plates, 1 marker Rope, 4 extra Links Drive Chain and one Plain Wrench.



It is recommended that when the following special equipment is furnished with Planters and Drills, the ADDITIONAL LIST PRICES be as follows:

Fertilizer Attachment.....	\$20.00 each
Drill Attachment.....	4.00 "
Fodder Attachment.....	3.00 "
Hand Drop Attachment including seat—changed April 30, '09 from \$1.00 to.....	2.00 "
Disc in place of regular Runners.....	2.00 "
Disc Furrowers.....	8.00 "
Shovel Furrowers.....	3.00 "
Coverers.....	4.00 "
Combined Furrowers and Coverers.....	4.00 "
Gauge Shoes for Runners.....	1.50 "
1 pr. Special Plates for Broom Corn.....	} Changed 4-30-09 from \$1.00 to 60c per pair, list.
1 pr. Special Plates for Kaffir Corn.....	
1 pr. Special Plates for Sorghum.....	
1 pr. Special Plates for Milo Maize.....	
1 pr. Special Plates for Millet.....	
1 pr. Special Plates for Beans.....	
Two-Horse Evener and Neckyoke.....	list \$2.00 each
Planters—with Wheels over 30 in. in diameter.....	list 4.00 "
Pincers.....	list .50 pair

It is further recommended that when the following are not furnished with Planters, the maximum deduction in LIST PRICES be as follows:

Check Rower, Complete.....	\$10.00 each
Check Rower, and all parts stripped to make "Corn Drill" only....	14.00 "

COTTON PLANTERS AND DRILLS.

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. One-Row Corn Drill Steel Frame and Hopper with Cover, Chain or Gear Drive.	Opening Shovel, 1 pr. Covering Shovels, 4 Plates (including one in Machine), and small Wrench.
2. One-Row Corn Drill, Steel Frame and Hopper with Cover, Chain or Gear Drive.	Runner or Sword Opener, 1 pr. Covering Shovels, 4 Plates (including one in Machine), and small Wrench.
3. One-Row Steel Frame Cotton and Corn Planter, Chain or Gear Drive.	Steel Hopper or Box, 4 Corn Plates (including one in Machine), 1 Cotton Agitator Plate and small Wrench.
4. Two-Horse One-Row Cotton and Corn Planter.	2 Wheels, Seat, Pole, Steel Seed Box, with Opener or Seed Shovel, 2 rear Covering Shovels, Front Shank or Standard with Wood Break Pin for Middle Breaker or Sweep, 4 Corn Plates (including one in Machine), 1 Cotton Agitator Plate, flat Wrench. Add Evener and Neckyoke.

Recommended June 16, 1909.

It is recommended that when the following equipment is furnished with Drills or Planters, except two horse one row C. & C. Planter, the ADDITIONAL LIST PRICES be as follows:

Gauge Shoe for Drills.....	\$0.50 each.
Wide or Open Tire Drive Wheel.....	.50 "
Cast Iron Roller Attachment for 1-Horse Machine.....	2.00 "
Fertilizer Attachment for 1-Horse Machine.....	6.00 "
Extension Hoppers.....	.50 "
Spring Trip Standards for 2-Horse Planter.....	1.50 "
Two-Horse Evener and Neckyoke.....	2.00 "

STALK CUTTERS.

RECOMMENDED APRIL 8, 1908.

Classification.	Equipment.
1. Stalk Cutter, Single Row.....	Five Knives and Small flat Wrench. (No Evener or Neckyoke.)
2. Stalk Cutter, Double Row.....	Ten Knives, 3-Horse Evener, 2 Neckyokes, and Small flat Wrench.

It is recommended that when the following equipment is furnished with Stalk Cutters, the ADDITIONAL LIST PRICES be as follows:

Additional Knives for Single Row.....	per knife	\$1.00
“ “ Double “.....	“ “	2.00
Two-Horse Evener and Neckyoke for Single Row.....		2.00

REVISED LIST PRICE OF EXTRA PLOW SHARES.

(Adopted August 25, 1908. Effective Spring Trade 1910 or Earlier.)

FOR MIDDLE BREAKER PLOWS.

National Plow Ass'n Series.

9 inch .....	\$2.00	14 inch .....	\$2.75
10 inch .....	2.50	16 inch .....	3.25
12 inch .....	2.50		

FOR LISTING PLOWS.

14 inch Mild .....	\$2.75	Hard.....	\$4.00
16 inch Mild .....	3.25	Hard.....	4.50

SOLID OR MILD TEMPERED SLIP SHARES

For Stubble	Turf and Stubble Black Land Blue Bird
Sandy Land	
Mixed Land and	

SERIES OF WALKING AND RIDING PLOWS.

7 inch.....	\$1.10	11 inch.....	\$1.75
7½ inch.....	1.10	12 inch.....	2.00
8 inch.....	1.10	13 inch.....	2.00
8½ inch.....	1.25	14 inch.....	2.50
9 inch.....	1.35	15 inch.....	3.00
9½ inch.....	1.45	16 inch.....	3.00
10 inch.....	1.50	18 inch.....	3.50

CULTIVATOR SHOVELS.

RECOMMENDED APRIL 8, 1908.

Cultivator Gangs.	Description of Shovels. Hard or Mild. Straight or Twisted.
1. Four Shovel—for Northern territory.....	Four—5 inches wide or under by 11 inches long or under.
2. Four Shovel—for Southern territory.....	Two-5 inches wide or under. Two-Special Wing. All 11 inches long or under.
3. Six Shovel.....	Six—3½ inches wide or under by 9 inches long or under.
4. Eagle Claw.....	Eight—3 inches wide or under by 9 inches long or under.
5. Spring Tooth.....	2 inches wide or under. by 6 inches long or under, Single Point. by 8½ inches long or under, Double Point.

It is recommended that the ADDITIONAL LIST PRICES PER CULTIVATOR for all shovels in EXCESS OF ABOVE DIMENSIONS be as follows:

For Four and Six Shovel Cultivators..... \$0.50 per set, list  
 For Eagle and Spring Tooth Cultivators..... 1.00 per set, list

N. B. The width to be measured at top of shovel.

CULTIVATOR WHEELS.

Cultivators.	Description of tire.
Walking Cultivators.....	1½ inch Tire or under.
Riding Cultivator.....	2½ inch Tire or under.
Two Row Cultivators.....	3 inch Tire or under.

It is recommended that the ADDITIONAL LIST PRICES for all Wheels with Wider Tire than specified above be as follows:

Walking Cultivators, for each additional ¼ inch in width, 50 cents per Cultivator, list.

Riding Cultivators, for each additional ¼ inch in width, \$1.00 per Cultivator, list.

It is also recommended that the Maximum Width of Tire for Walking Cultivators be 2 INCHES.

STANDARD DIMENSIONS OF COMMON PARTS.

FINISHED NECK YOKES.

ADOPTED MARCH 10, 1909.

Pattern No. 1.....	<table> <tr> <td>36</td> <td>in. long.....</td> <td rowspan="3">} FOR SULKY AND GANG PLOWS.</td> </tr> <tr> <td>2 5/16</td> <td>in. center.....</td> </tr> <tr> <td>1½</td> <td>in. ends.....</td> </tr> </table>	36	in. long.....	} FOR SULKY AND GANG PLOWS.	2 5/16	in. center.....	1½	in. ends.....
36	in. long.....	} FOR SULKY AND GANG PLOWS.						
2 5/16	in. center.....							
1½	in. ends.....							
Pattern No. 2.....	<table> <tr> <td>42</td> <td>in. long.....</td> <td rowspan="3">} FOR WALKING, RIDING AND DISC CULTIVATORS AND LISTING PLOWS.</td> </tr> <tr> <td>2 5/16</td> <td>in. center.....</td> </tr> <tr> <td>1½</td> <td>in. ends.....</td> </tr> </table>	42	in. long.....	} FOR WALKING, RIDING AND DISC CULTIVATORS AND LISTING PLOWS.	2 5/16	in. center.....	1½	in. ends.....
42	in. long.....	} FOR WALKING, RIDING AND DISC CULTIVATORS AND LISTING PLOWS.						
2 5/16	in. center.....							
1½	in. ends.....							

SINGLETREES.

ADOPTED MARCH 10, 1909.

No. 1 singletree—for cultivators.

1¾ in. thick x 2½ in. wide—26 in. Finished.  
 or 1½ in. thick x 2¾ in. wide—27 in. Rough.

No. 2 singletree—for plows and harrows.

1¾ in. thick x 2 in. wide—27 in. Finished.  
 or 2 in. thick x 2¼ in. wide—28 in. Rough.

YELLOW PINE POLES.

ADOPTED APRIL 14, 1909.

FOR SULKY PLOWS.....	} Rough Purchase Sizes. (Two Poles in one piece.)			
GANG PLOWS.....				
CORN PLANTERS.....				
STALK CUTTERS.....				
WALKING CULTIVATORS.....				
RIDING CULTIVATORS.....				
DISC CULTIVATORS.....				
TWO ROW CULTIVATORS.....	3 in. x 6 in., 12 feet.			
	18 feet in one piece or 9 feet in one pole.			
FOR DISC HARROWS.....	<table> <tr> <td>3 in. x 7 in., 12 feet.</td> </tr> <tr> <td>21 feet in one piece, or</td> </tr> <tr> <td>10½ feet in one pole.</td> </tr> </table>	3 in. x 7 in., 12 feet.	21 feet in one piece, or	10½ feet in one pole.
3 in. x 7 in., 12 feet.				
21 feet in one piece, or				
10½ feet in one pole.				

## NATIONAL PLOW ASSOCIATION.

## LIST OF OFFICERS AND EXECUTIVE COMMITTEES.

FOR 1907-1908.

*Officers.*—J. A. Craig, president, Janesville, Wis.; Wm. H. Taylor, vice president, Peoria, Ill.; W. B. Brinton, treasurer, Dixon, Ill.; C. E. Sanders, secretary, Chicago, Ill.

*Executive committee.*—Wm. Butterworth, Moline, Ill.; G. A. Stephens, Moline, Ill.; W. H. Parlin, Canton, Ill.; C. S. Brantingham, Rockford, Ill.; H. M. Wallis, Racine, Wis.; C. F. Huhlein, Louisville, Ky.; J. A. Craig, Janesville, Wis.

FOR 1908-1909.

*Officers.*—C. S. Brantingham, president, Rockford, Ill.; C. E. Giltner, vice president, Racine, Wis.; A. J. Brosseau, treasurer, Albion, Mich.; C. E. Sanders, secretary, Chicago, Ill.

*Executive committee.*—Wm. Butterworth, Moline, Ill.; G. A. Stephens, Moline, Ill.; W. H. Parlin, Canton, Ill.; C. F. Huhlein, Louisville, Ky.; W. I. Bogardus, Rock Island, Ill.; Wm. H. Taylor, Peoria, Ill.; W. B. Brinton, Dixon, Ill.; J. A. Craig, Janesville, Wis.; C. S. Brantingham, Rockford, Ill.

FOR 1909-1910.

*Officers.*—Wm. Butterworth, president, Moline, Ill.; H. C. Roberts, vice president, Peoria, Ill.; T. Y. Davis, treasurer, Sterling, Ill.; C. E. Sanders, secretary, Chicago, Ill.

*Executive committee.*—W. H. Parlin, Canton, Ill.; C. S. Brantingham, Rockford, Ill.; W. B. Brinton, Dixon, Ill.; Wm. H. Taylor, Peoria, Ill.; A. Hirschheimer, La Crosse, Wis.; H. M. Wallis, Racine, Wis.; J. F. Lardner, Rock Island, Ill.; A. J. Brosseau, Albion, Mich.; Wm. Butterworth, Moline, Ill.

## STANDING COMMITTEES FOR 1909-1910.

*Cost committee.*—G. W. Crampton, chairman; H. M. Wallis, U. G. Orendorff, T. P. Luby, C. S. Brantingham.

*Freight transportation committee.*—C. B. Gregory, chairman; A. R. Ebi, W. J. Evans.

*Legislation committee.*—U. G. Orendorff, chairman; Wm. Butterworth, W. B. Brinton.

*Membership committee.*—J. A. Craig, chairman; E. O. McLean, A. J. Street, A. J. Brosseau, W. W. Wiard.

*Standard equipment committee.*—A. J. Brosseau, chairman; F. J. Savage, U. G. Orendorff, R. C. Anderson, Wm. Black, A. J. Street, T. P. Luby.

## EXHIBIT 19.

REPORT OF COMMITTEE ON SHOP COSTS AND SELLING EXPENSES,  
TO NATIONAL ASSOCIATION OF THRESHER MANUFACTURERS,  
AUGUST, 1904.<sup>1</sup>

Your committee would respectfully report that they have taken up the cost of manufacturing engines, separators and parts, and the ex-

<sup>1</sup> See text (p. 56) for reference to subsequent amendments to this report.

pense of marketing the same. They have also made comparisons of machinery and costs and taken into consideration the various sizes and kinds of threshing machinery.

That after full investigation of the same, it is the opinion of your committee that the machinery can not be manufactured and put on the market, paying cost of selling at less than so that they each shall net the manufacturer the amount hereinafter set forth.

The results of cash sales, single or in large quantities and time sales, have been taken into consideration. A cash sale requires no additional expense.

These amounts are not reported as a price, as each manufacturer is free to fix and settle on his own lists and selling price, without limitations, and are not governed by this Association.

These amounts are found by your committee after comparisons made of kind and sizes of goods and their knowledge of costs of manufacture and expenses of selling and making collections, and trust may be of value and of aid to each of us.

The commissions allowed for selling have not been added. We believe that the net results of each sale would require an amount equal to the amount quoted by us, in order to obtain a reimbursement for the expense of manufacturing and selling, and that to sell below the amounts would, in many cases, result in a loss. These figures are given for what they may be worth, and can be used or not as each manufacturer may determine, each being free to act and settle his price list as he deems best.

The cost of engines and separators of other sizes, we believe to be between the figures of the size named next above and below.

#### FREIGHT.

In making estimates we have assumed that customer pays freight from factory. There would be no leeway, but, on the contrary, a loss, if freight was allowed west of the Mississippi River.

#### TRANSPORTATION OF CUSTOMERS.

We have made no allowance for cost of transportation of customers to factory or Branch House. This would be an additional burden, and such expense ought not to be allowed by any manufacturer.

#### NET RESULTS OF SALES.

##### PLAIN SEPARATORS, WITHOUT FOLDING STACKER AND HAND FEED ATTACHMENT.

(The "All Cash" column is intended to mean where an agent cashes all sales made during the season and where it amounts to two or more outfits or machines.)

Size Separator.	Time.	Single Cash.	All Cash.	Size Separator.	Time.	Single Cash.	All Cash.
24 x 40.....	\$340.00	\$306.00	\$300.00	36 x 54.....	\$417.00	\$375.00	\$368.00
28 x 40.....	357.00	321.00	315.00	36 x 56.....	434.00	390.00	383.00
28 x 48.....	366.00	329.00	323.00	36 x 60.....	468.00	421.00	413.00
30 x 43.....	366.00	329.00	323.00	37 x 60.....	472.00	425.00	416.00
30 x 44.....	366.00	329.00	323.00	40 x 56.....	468.00	421.00	413.00
30 x 48.....	374.00	337.00	330.00	40 x 60.....	489.00	440.00	431.00
30 x 50.....	383.00	344.00	338.00	40 x 63.....	493.00	444.00	435.00
32 x 48.....	383.00	344.00	338.00	40 x 64.....	497.00	448.00	439.00
32 x 62.....	395.00	356.00	349.00	44 x 64.....	510.00	459.00	460.00
33 x 52.....	400.00	360.00	353.00	44 x 66.....	523.00	470.00	461.00
33 x 53.....	400.00	360.00	353.00	44 x 68.....	531.00	478.00	469.00
33 x 56.....	425.00	383.00	375.00	For folding or Plain Carrier.....	25.50	22.96	22.10
36 x 52.....	404.00	363.00	356.00				

TRACTION ENGINES.

Size Engine.	Time.	Single Cash.	All Cash.	Size Engine.	Time.	Single Cash.	All Cash.
6 H. P. Coal Burner.	\$892.50	\$803.25	\$787.50	16 H. P. Coal Burner.	\$1,317.50	\$1,185.75	\$1,162.50
8 " " "	977.50	879.75	862.50	18 " " "	1,402.50	1,262.25	1,237.50
10 " " "	1,062.50	963.25	937.50	20 " " "	1,487.50	1,338.75	1,312.50
12 " " "	1,147.50	1,032.75	1,012.50	22 " " "	1,572.50	1,415.25	1,387.50
13 " " "	1,190.00	1,071.00	1,050.00	25 " " "	1,700.00	1,530.00	1,500.00
14 " " "	1,232.50	1,109.25	1,087.50	28 " " "	1,742.50	1,568.25	1,537.50
15 " " "	1,275.00	1,147.50	1,125.00	30 " " "	1,912.50	1,721.25	1,687.50

Each additional horse power we estimate at \$42.50, time.

To the foregoing should be added an additional cost if boilers are jacketed.

On time sales—\$42.50.

On single cash sales—\$38.25.

All cash sales—\$37.50.

The additional cost of straw-burning engines, over and above coal, would be the jacket and straw-burning attachments, which we believe would be on time sales, \$85.00; single cash sales, \$76.50, and all cash sales, \$75.00.

The cost of engine cabs varies according to sizes. We estimate \$30.00 for the smaller ones.

WEIGHERS AND BAGGERS.

	Time.	Cash.	All Cash.
Tall Dak. Per. Weigher.....	\$63.75	\$57.38	\$55.25
Perfection Weigher.....	57.35	51.65	50.60
Double Tube.....	57.35	51.65	50.60

All other styles of baggers and weighers in like proportion.

MISCELLANEOUS.

	Time	Single Cash Sales.	All Sales Cashed Two or more Sales		Time	Single Cash Sales	All Sales Cashed Two or more Sales
Self feeders—				12 Bbl. Steel Tanks—			
Above 32-inch..	\$150.00	\$135.00	\$130.00	Mtd.....	\$90.00	\$81.00	\$78.00
32-inch and smaller.	142.50	128.25	123.50	Plain.....	52.60	47.25	45.50
Horse Powers—				15 Bbl. Steel Tanks—			
10 H. P.....	150.00	135.00	130.00	Mtd.....	97.50	87.75	84.60
12 H. P.....	157.50	141.75	136.50	Plain.....	60.00	54.00	52.00
14 H. P.....	165.00	148.50	143.00	Folding Stacker ..	25.50	22.95	22.10
Attached Swing Stkrs.....	127.50	114.75	112.50	Hand Feed Attachment.....	8.60	7.65	7.50

REPAIRS.

The cost of repairs would be too difficult for your committee to act upon. We find that the usual commission paid is 25 per cent, and that on lists not uniform in price. In the opinion of the committee such a commission for selling is sufficient.

## EXHIBIT 20.

## FORM OF LICENSE CONTRACT ISSUED BY INDIANA MANUFACTURING CO., AUTHORIZING THE USE OF ITS PATENTS, 1914.

[Form of agreement for use in connection with grain separators.]

*Separator*

## LICENSE AND AGREEMENT BETWEEN THE INDIANA MANUFACTURING COMPANY AND \_\_\_\_\_.

Whereas, The Indiana Manufacturing Company, a corporation duly organized under the laws of the State of West Virginia, and having its principal office and place of business at Indianapolis, Marion County, in the State of Indiana, hereinafter denominated the party of the first part, is the owner of certain Letters Patent of the United States upon various inventions and improvements relating to machines or apparatus for taking away straw, stalks, dust, etc., from machines used in threshing or separating and cleaning grain, seeds, etc., and conveying away and depositing the same upon stacks or elsewhere, such machines being generally known as "Pneumatic Stackers"; and also by means of exclusive license contracts and otherwise controls various other inventions and improvements and the Letters Patent thereon, relating to such machines; which said Letters Patent of the United States, so owned and controlled by said party of the first part include those numbered and dated as follows, to-wit:

No. 532,428, Jan. 8, 1895; No. 584,160, June 8, 1897; No. 633,560, Sept. 26, 1899;  
 No. 534,580, Feb. 19, 1895; No. 588,416, Aug. 17, 1897; No. 633,561, Sept. 26, 1899;  
 No. 535,296, March 5, 1895; No. 588,910, Aug. 24, 1897; No. 635,024, Oct. 17, 1899;  
 No. 536, 793, April 2, 1895; No. 589,125, Aug. 31, 1897; No. 638,191, Nov. 28, 1899;  
 No. 536,951, April 2, 1895; No. 589,146, Aug. 31, 1897; No. 638,560, Dec. 5, 1899;  
 No. 537,070, April 9, 1895; No. 592,672, Oct. 26, 1897; No. 638,878, Dec. 12, 1899;  
 No. 537,690, April 16, 1895; No. 592,673, Oct. 26, 1897; No. 639,187, Dec. 12, 1899;  
 No. 537,691, April 16, 1895; No. 593,995, Nov. 23, 1897; No. 639,448, Dec. 19, 1899;  
 No. 540,102, May 28, 1895; No. 594,124, Nov. 23, 1897; No. 646,708, April 3, 1900;  
 No. 540,573, June 4, 1895; No. 594,266, Nov. 23, 1897; D. No. 32,447, April 3,  
 No. 541,936, July 2, 1895; No. 595,390, Dec. 14, 1897; 1900;  
 No. 545,297, Aug. 27, 1895; No. 596,307, Dec. 28, 1897; No. 648,514, May 1, 1900;  
 No. 552,275, Dec. 31, 1895; No. 596,914, Jan. 4, 1898; No. 649,492, May 15, 1900;  
 No. 556,776, March 24, 1896; No. 598,885, Feb. 8, 1898; No. 649,575, May 15, 1900;  
 No. 557,020, March 24, 1896; No. 599,279, Feb. 15, 1898; No. 652,452, June 26, 1900;  
 No. 557,020, March 24, 1896; No. 601,356, March 29, 1898; No. 660,591, Oct. 30, 1900;  
 No. 559,196, April 28, 1896; No. 602,063, April 12, 1898; No. 663,150, Dec. 4, 1900;  
 No. 562,227, June 16, 1896; No. 603,040, April 26, 1898; No. 668,141, Feb. 12, 1901;  
 No. 566,491, Aug. 25, 1896; No. 603,593, May 3, 1898; No. 672,732, April 23, 1901;  
 No. 566,494, Aug. 25, 1896; No. 605,925, June 21, 1898; No. 675,337, May 23, 1901;  
 No. 566, 841, Sept. 1, 1896; No. 608,223, Aug. 2, 1898; No. 685,628, Oct. 29, 1901;  
 No. 567,031, Sept. 1, 1896; No. 609,623, Aug. 23, 1898; No. 686,144, Nov. 5, 1901;  
 No. 568,315, Sept. 22, 1896; No. 611,383, Sept. 27, 1898; No. 686,145, Nov. 5, 1901;  
 No. 568, 883, Oct. 6, 1896; No. 611,384, Sept. 27, 1898; No. 686,986, Nov. 19, 1901;  
 No. 569,504, Oct. 13, 1896; No. 612,213, Oct. 11, 1898; No. 696,954, April 8, 1902;  
 No. 571,898, Nov. 24, 1896; No. 613,260, Nov. 1, 1898; No. 697,653, April 15, 1902;  
 No. 573,125, Dec. 15, 1896; No. 614,979, Nov. 29, 1898; No. 702,766, June 17, 1902;  
 No. 576,149, Feb. 2, 1897; No. 617,939, Jan. 17, 1899; No. 703,078, June 24, 1902;  
 No. 576, 740, Feb. 9, 1897; No. 621,428, March 21, 1899; No. 705,987, July 29, 1902;  
 No. 577,117, Feb. 16, 1897; 1899; No. 706,037, Aug. 5, 1902;  
 No. 580,669, April 13, 1897; No. 633,333, Sept. 19, 1899; R. No. 12,022, Aug. 19,  
 No. 581,326, April 27, 1897; No. 633,559, Sept. 26, 1899; 1902;  
 No. 712,902, Nov. 4, 1902;

No. 713,119, Nov. 11, 1902; No. 776,456, Nov. 29, 1904; No. 962,068, June 21, 1910;  
 No. 713,739, Nov. 18, 1902; No. 786,071, March 28, 1905; No. 965,310, July 26, 1910;  
 No. 714,525, Nov. 25, 1902; No. 811,532, Jan. 30, 1906; No. 966,710, Aug. 9, 1910;  
 No. 714,526, Nov. 25, 1902; No. 811,736, Feb. 6, 1906; No. 970,183, Sept. 13, 1910;  
 No. 715,349, Dec. 9, 1902; No. 821,584, May 22, 1906; No. 970,956, Sept. 20, 1910;  
 No. 715,760, Dec. 16, 1902; No. 823,418, June 12, 1906; No. 971,329, Sept. 27, 1910;  
 No. 717,465, Dec. 30, 1902; No. 830,337, Sept. 4, 1906; No. 971,933, Oct. 4, 1910;  
 No. 718,395, Jan. 13, 1903; No. 830,618, Sept. 11, 1906; No. 972,437, Oct. 11, 1910;  
 No. 720,486, Feb. 10, 1903; No. 832,283, Oct. 2, 1906; No. 973,113, Oct. 18, 1910;  
 No. 721,243, Feb. 24, 1903; No. 840,603, Jan. 8, 1907; No. 973,748, Oct. 25, 1910;  
 No. 722,369, March 10, 1903; No. 845,876, March 5, 1907; No. 974,483, Nov. 2, 1910;  
 No. 723,204, March 17, 1903; R. No. 12,655, May 21, 1907; No. 984,549, Feb. 21, 1911;  
 No. 725,624, April 14, 1903; No. 856,609, June 11, 1907; No. 989,296, April 11, 1911;  
 No. 727,093, May 5, 1903; No. 866,240, Sept. 17, 1907; No. 997,307, July 11, 1911;  
 No. 728,511, May 19, 1903; No. 872,868, Dec. 3, 1907; No. 997,956, July 11, 1911;  
 No. 729,947, June 2, 1903; No. 873,829, Dec. 17, 1907; No. 1,000,032, Aug. 8, 1911;  
 No. 736,599, Aug. 18, 1903; No. 877,320, Jan. 21, 1908; No. 975,230, Nov. 8, 1910;  
 No. 740,695, Oct. 6, 1903; No. 888,571, May 26, 1908; No. 1,014,778, Jan. 16,  
 No. 741,770, Oct. 20, 1903; No. 902,841, Nov. 3, 1908; 1912;  
 No. 747,251, Dec. 15, 1903; No. 902,842, Nov. 3, 1908; No. 1,014,779, Jan. 16,  
 No. 747,896, Dec. 22, 1903; No. 903,743, Nov. 10, 1908; 1912;  
 No. 751,627, Feb. 9, 1904; No. 921,341, May 11, 1909; No. 1,019,194, Mch. 5, 1912;  
 No. 758,606, April 26, 1904; R. No. 13,039, Nov. 16, 1913;  
 No. 761,761, June 7, 1904; No. 950,120, Feb. 22, 1910; No. 1,028,793, June 4,  
 No. 762,463, June 14, 1904; No. 958,137, May 17, 1910; 1912;  
 No. 762,917, June 21, 1904; No. 958,213, May 17, 1910; No. 1,059,658, Apr. 22,  
 No. 762,918, June 21, 1904; Other patents pending.  
 No. 765,403, July 19, 1904;

and has the exclusive right to issue licenses, or sub-licenses, or other contracts or agreements, authorizing the manufacture, sale or use of any or all the inventions aforesaid.

And whereas, \_\_\_\_\_, a corporation duly organized under the laws of the State of \_\_\_\_\_, and having its principal office and place of business at \_\_\_\_\_, \_\_\_\_\_ County, in the State of \_\_\_\_\_, hereinafter denominated the party of the second part, is desirous of acquiring a right to manufacture, sell and use "Pneumatic Stackers" or machines embodying any or all the said inventions or improvements.

Now, therefore, this indenture witnesseth, that for and in consideration of the sum of One Dollar (\$1.00) in hand paid, the receipt whereof is hereby acknowledged, and of the various undertakings hereinafter expressed, the said party of the first part has licensed and empowered, and does hereby license and empower, the said party of the second part, to manufacture, sell and use "Pneumatic Stackers" embodying any of the inventions of any of the aforesaid Letters Patent owned by the said party of the first part or any reissues or extensions thereof until the full end of the terms of any and all said Letters Patent, or controlled by said party of the first part by means of any license or agreement so long as the licenses or agreements relating thereto are in force, to be used throughout the United States and the Territories thereof, said manufacture, sale and use to be upon the terms and conditions following, to-wit:

1. The said party of the second part has agreed and does hereby agree to and with the said party of the first part, to pay to the said party of the first part a license fee or royalty of thirty dollars (\$30.00) upon each and every machine, or attachment to a machine, embodying any of the above-mentioned inventions or improvements,



which may be made, sold or used by or for the said party of the second part, which said royalty shall become due and payable at the times of settlement hereinafter named; and said party of the first part agrees to make a discount of Three Dollars (\$3.00) per stacker upon the royalty of Thirty Dollars (\$30.00) to be paid by said party of the second part under said license, if and when said party of the second part shall promptly pay its royalties coming due under this license in cash upon the first day of January of each year, or within fifteen (15) days after demand therefor, during the continuance of this license.

2. The said party of the second part further agrees to keep full, just, true and proper books and accounts concerning the manufacture and sale aforesaid, which shall be open to examination by the said party of the first part, or its duly constituted agents or representatives, during usual business hours, at all proper and reasonable times, and will render to the said party of the first part full and complete written reports on the last days of June and December of each year, under oath if required, showing a full account of all said "Pneumatic Stackers" which have been made or sold under this license and agreement; at which said times said party of the second part also agrees to account for and pay over to the said party of the first part all amounts which have accrued as royalties hereunder: *Provided, however*, that the June settlements may be made by note at six months without interest: And *provided, further*, that all "Pneumatic Stackers" which the said party of the second part shall have remaining on hand and unsold on the last day of December of each year shall be deducted from the account, and carried over to be accounted for in the next succeeding settlement.

3. It is further agreed that each report rendered to the party of the first part by the party of the second part shall particularly state how many of each of the various distinctive kinds of "Pneumatic Stackers" hereby licensed to be made, have been made by or for the said party of the second part during the period covered by said report, so that the party of the first part may have a basis for adjustment with the owners of such patents as it may hold or control by means of licenses.

4. And whereas, the said party of the first part, for the purpose of preserving its legal rights, and of securing publicity of the fact that machines of this character are made under its authority, has designed labels of a peculiar sort (known as "transfers"), and as one of the conditions of granting license requires a set of three thereof, composed of one label bearing a list of patent dates and two medallions embodying the trade-mark of the said party of the first part, to be affixed to each and every "Pneumatic Stacker" made under its license or authority; the list of patents in any convenient place, and the two medallions or trade-marks on opposite sides of the machine where they are conspicuously observable. Now, therefore, the said party of the second part further agrees to and with the said party of the first part that it will procure (free of charge) from said party of the first part labels as above described, and attach or cause to be attached a set (3) of the same (in the manner hereinbefore stated) to each and every machine made and sold by or for the said party of the second part embodying any of the inventions of any of the aforesaid Letters Patent; failing in which the said

party of the second part shall pay to the said party of the first part the sum of one hundred dollars (\$100.00), as liquidated damages, now estimated, determined and agreed upon, and without relief, for and on account of each and every machine sold by or for said party of the second part without being so marked or labeled with all the said transfers or labels herein and hereby required.

5. And the said party of the second part agrees to and with the said party of the first part that the selling price to users of "Pneumatic Stackers" embodying or including the inventions aforesaid, or either or any of them, shall be two hundred and fifty dollars (\$250.00) on time, (but to be fully paid for within two years from date of sale), or two hundred and thirty-five dollars (\$235.00) in cash; and the said party of the second part expressly agrees to and with the said party of the first part not to sell any such machine or machines to any person or party, other than an agent or dealer who buys the same to be sold again who may have a discount of not to exceed twenty-five dollars (\$25.00), or an established jobber of threshing machinery who regularly buys at wholesale and retails through sub-agents, and who is regularly licensed as such by the said party of the first part under the aforementioned patents, who may have a discount of not to exceed seventy-five dollars (\$75.00), at any less price or on any better terms than herein specified and agreed upon. And it is further expressly agreed that should there be any violation or evasion of this agreement, directly or indirectly, on the part of the said party of the second part, said party of the second part shall pay to the said party of the first part the sum of one hundred dollars (\$100.00) as liquidated damages, now estimated, determined and agreed upon, for each and every such violation or evasion hereof. This agreement is made for the purpose of effectually protecting the rights secured by the Letters Patent hereinbefore mentioned, which form the basis of this agreement, and the price so established embodies the license fee which it has been determined is fair and just to users of said patented inventions or improvements.

6. The said party of the second part further agrees to and with the said party of the first part to take all orders for "Pneumatic Stackers" upon separate order blanks of a form approved by the said party of the first part, or as separate and distinct items of the orders when ordered in connection with other machinery.

7. The said party of the second part, for and as a part of the consideration for the granting of this license, has expressly agreed, and does hereby agree, to and with the said party of the first part, not to dispute, directly or indirectly, the Letters Patent upon which this contract is founded, or any reissues thereof, nor make their alleged invalidity a defense in any proceeding under this contract, or a ground of refusing to make any payments called for hereby.

8. The said party of the second part further expressly agrees to and with the said party of the first part, to mark each and every machine made by the said party of the second part with the marks required by the present patent laws of the United States, or any law hereafter enacted concerning the marking of patented articles, to preserve any of the rights of the patentee or patent owner.

9. The said party of the first part, in consideration of the promises and agreements herein contained, to it made by the said party of the

second part, promises and agrees to prosecute all substantial infringements of its rights, and of the rights of the parties hereto granted by the United States Letters Patent upon which these articles are based; and also to give to the said party of the second part the right to use all improvements made or acquired hereafter by said party of the first part upon or pertaining to "Pneumatic Stackers," without any additional royalty fee. It is, however, expressly understood and agreed that all patents and inventions relating to "Pneumatic Stackers," the title or control of which may hereafter be obtained or acquired by the said party of the first part, if used by the said party of the second part, shall be used under and subject to all the terms and conditions of this license and agreement, which it is hereby expressly agreed shall apply to any and all such newly obtained or acquired patents and inventions.

10. The said party of the first part further agrees to and with the said party of the second part that if it shall hereafter grant any more favorable terms in any license to build "Pneumatic Stackers" to be used in connection with machines for threshing grain than the terms granted in these articles, either in amount of royalty or otherwise, to any person or corporation, that the same concessions shall upon like terms and conditions be made to the said party of the second part, and shall become a part of these articles.

11. This license and agreement may be terminated at the option of the party of the second part at the expiration of the Elward Patent (Re-issued Letters Patent numbered 12,022, expiring December 10, 1918), hereinabove mentioned, or at the option of the party of the second part may then be continued until the full end of the terms of each and all of the Letters Patent of the United States pertaining to "Pneumatic Stackers" herein recited owned by said party of the first part, or any reissues thereof, or for such less period as said party of the second part may elect, upon the terms and conditions in this agreement set forth, or upon such other terms and conditions as the parties hereto may then mutually agree upon.

The rights, duties, privileges and obligations arising under or growing out of this license and agreement shall extend to and be binding upon the successors, assigns and legal representatives of the parties hereto respectively.

Executed in duplicate.

In Testimony Whereof, said The Indiana Manufacturing Company has caused these presents to be executed at Indianapolis, Indiana, this \_\_\_\_\_ day of \_\_\_\_\_ 191—.

THE INDIANA MANUFACTURING COMPANY,  
By \_\_\_\_\_, *President*.

Attest: \_\_\_\_\_.

In Testimony Whereof, said \_\_\_\_\_, has caused these presents to be executed at \_\_\_\_\_, \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_ 191—.

By \_\_\_\_\_,

Attest: \_\_\_\_\_.

## EXHIBIT 21.

## FORM OF PATENTS PURCHASE AGREEMENT BETWEEN THE INDIANA MANUFACTURING CO. AND LICENSEES.

## PATENTS PURCHASE AGREEMENT.

*Memorandum of an Agreement* made between THE INDIANA MANUFACTURING COMPANY, a corporation of West Virginia, having offices at Charleston, West Virginia, and at Indianapolis, Indiana, hereinafter called the licensor, and ——— ———, hereinafter called the licensee, Witnesseth:

Whereas, the licensor is sole owner of a large number of inventions and Letters Patent on "Pneumatic Stackers," respecting which the licensee has heretofore secured the right to make, use and sell all of said inventions or improvements, by written license from the licensor, now in full force; and,

Whereas, the licensor aims to encourage the invention and development of various improvements in "Pneumatic Stackers," and desires to purchase improvements or inventions and Letters Patent relating to "Pneumatic Stackers," and, under its exclusive control, seeks to vest the benefit thereof amongst its several licensees; and,

Whereas, the licensee desires to acquire for use in its business, the right to adopt and employ any one or more of the improvements aforesaid, held within control of the licensor only;

Now, therefore, the parties hereto have severally agreed as follows, that is to say:

I. During the term of the license at present outstanding, the licensee undertakes to faithfully keep and perform each and every of the following named conditions, viz.:

a. To use reasonable efforts in the endeavor to improve upon Pneumatic Stackers, and, as often as may be, to promptly disclose unto the licensor full knowledge of the several improvements in Pneumatic Stackers from time to time coming within its notice and control.

b. At expense of the licensor, and as often as it may request, said licensee is required to execute or cause to be executed the usual application papers and assignments deemed necessary to vest in said licensor the rights or privileges pertaining to such improvements in Pneumatic Stackers, thus including the Letters Patent of the United States and of the Dominion of Canada, or other foreign countries, now or hereafter issued and owned or controlled by the licensee, or in which it has or may later acquire an interest.

II. So long as the licensee faithfully keeps and performs the conditions aforesaid, and each of them, respectively, the licensor on its part agrees:

c. To grant unto said licensee the right and privilege of making, using and vending, without extra charge, all and singular, the improvements acquired hereunder, or by other agreement of similar sort, made from time to time, with any other party or parties, and to give the licensee prompt notice of such acquirements.

d. To pay unto said licensee the sum of Five Dollars (\$5.00) on each and every wind stacker made and sold for attachment to threshing machines and settled for at the royalty rate by said licensee, including all made and sold during 1908, and thereafter.

III. Upon failure or refusal of the licensee to faithfully keep and perform the several conditions named in Article I hereof, or any of them, or material parts thereof, it is mutually agreed that this contract may be annulled at the option of the licensor, duly exercised on written notice given within thirty days next after expiry of a preliminary period of thirty days, allowed the licensee for proper correction of the delinquencies, called to its attention by written demand; and no other or further penalty, or liability, shall be incurred by the licensee, through its failure or refusal to perform the several conditions named in Article I, except the cancellation of this contract, to take effect only in the future; and the payment made or liability incurred by licensor under Clause d, Article II, prior to its cancellation shall not be withheld or recovered back by the licensor from the licensee.

Said licensee may also at its own option at any time cancel this contract by giving the licensor at least thirty (30) days written notice thereof and thereupon all rights and obligations of either party to the other under this agreement shall from said date cease and determine, and this contract be deemed to be canceled.

In testimony whereof, said The Indiana Manufacturing Company has caused these presents to be executed at Indianapolis, Indiana, this — day of —, A. D. 1909.

THE INDIANA MANUFACTURING COMPANY,  
By ———, *President.*

Attest:  
\_\_\_\_\_

In testimony whereof, said ———, has caused these presents to be executed at ——— this — day of —, A. D. 1909.

By ———,

Attest:  
\_\_\_\_\_

EXHIBIT 22.

FORM OF ROYALTY REPORT REQUIRED OF LICENSEES OF THE  
INDIANA MANUFACTURING COMPANY.

Form 50-10-1-12.

ROYALTY REPORT (SEPARATOR).

———, 191—.

THE INDIANA MANUFACTURING COMPANY,  
*Indianapolis, Ind.*

GENTLEMEN:—The following is a full and complete report covering all transactions relating to the manufacture and sale of PNEUMATIC STACKERS by the undersigned during the year 191—, authorized by License Contract with your Company, together with a statement of all "Transfers" handled during the same period.

(Sign here) \_\_\_\_\_,  
Per \_\_\_\_\_.

STACKERS.

Descriptive.	Style of stackers.				
	Gearless.				Grand total.
Total number brought forward from 191— .....					
Total number manufactured in year 191— .....					
<hr/>					
Total to be accounted for .....					
Deduct number on hand, unsold .....					
“ “ .....					
“ “ .....					
Total to be deducted .....					
Total number to be settled 'or, January 1, 191— .....					
Total number carried forward to 191— .....					

SHOP NUMBERS OF STACKERS CARRIED FORWARD TO 191—.


TRANSFERS.

Descriptive.	Kind of transfers.				
	Medalions.	Patent dates.			Grand total.
Total number brought forward from 191— .....					
Total number received in the year 191— .....					
<hr/>					
Total to be accounted for .....					
Deduct number used on new Stackers in 191— .....					
“ “ .....					
“ “ .....					
“ “ .....					
Total to be deducted .....					
Total number on hand ———, 191— .....					

## ROYALTY REPORT, THE INDIANA MANUFACTURING COMPANY, INDIANAPOLIS.

SHEET NO. — BY — — — — —, 191—.

Stacker number.	Customer.	Post office.	State.	Style of stacker.	Make of separator.	Number of separator.	Size.	
							Cyl.	Rear.
1								
2								
3								
4								
5								
6								

<sup>1</sup> Original form provides for 40 numbered entries.

## EXHIBIT 23.

## CONSTITUTION AND BY-LAWS OF THE NATIONAL FEDERATION OF IMPLEMENT AND VEHICLE DEALERS' ASSOCIATIONS.

## CONSTITUTION.

## ARTICLE I.—NAME.

This corporation shall be known as the National Federation of Retail<sup>1</sup> Implement and Vehicle Dealers' Associations, and under such name shall its business be conducted and transacted.

## ARTICLE II.—LOCATION.

Its domicile shall be Kansas City, state of Missouri, but its correspondence may be conducted, bulletins issued, and other necessary business transacted at the office of the Federation secretary, wherever that may be.

## ARTICLE III.—OBJECT.

The object for which this Federation is formed is to supply its constituent associations and their members with any and all legal and proper information which may legitimately come into its possession, and which may be of interest or value to the same.

## ARTICLE IV.—MEMBERSHIP.

The members of this Federation shall consist of the several constituent associations, by their accredited representatives, as provided for in Section 5 of the By-laws hereto attached.

<sup>1</sup> At the annual meeting in October, 1914, the word "Retail" was eliminated.

## ARTICLE V.—OFFICERS.

The affairs of this Federation shall be managed by an Official Board consisting of a President, Vice-president, Secretary-treasurer, and six Directors. The Secretary-treasurer shall be elected at the first meeting of the Official Board for a period of one year. The others shall be elected by the annual meeting, the President and Vice-president for one year, the directors first time, two for one year, two for two years, and two for three years, thereafter two annually for a term of three years; provided, however, that any officer or Director shall serve until his successor shall be elected and qualified.

## ARTICLE VI.—DUTIES.

The duties of the several officers shall be such as usually devolve upon like officers in similar positions, and the Secretary-treasurer shall perform such special duties as are assigned him by the Official Board. Should a vacancy occur the Official Board shall have authority to elect someone to fill the same, who shall serve until the next regular or special meeting of the Federation.

## ARTICLE VII.—MEETINGS.

The Federation shall hold an annual meeting at such time and place as the Official Board or Executive Committee may each year determine. Special meetings shall be called by the President whenever a majority of the Official Board may request the same. The Official Board shall meet as soon as practicable after the close of the annual meeting. Other meetings shall be called by the President on request of a majority of the Board or of the Executive Committee. A quorum for the annual meeting shall be ten, of the Official Board five, and of the Executive Committee two.

## ARTICLE VIII.—AMENDMENTS.

The by-laws or constitution may be amended from time to time by a majority vote of the delegates present at any annual meeting, or at any special meeting if ten days' written notice of the proposed change shall have been given. Or, in case of emergency, the Official Board shall have authority to amend, and such amendments shall stand until the next annual meeting of the Federation.

## ARTICLE IX.—EXECUTIVE COMMITTEE.

The President, Vice-President and Secretary-treasurer shall ex-officio constitute an Executive Committee, which shall act during the interim between meetings of the Official Board, and during such time said committee shall have and exercise the full power and authority of the said Board, and its acts shall stand and be in effect until the next meeting of the Official Board or of the Federation. The Executive Committee shall meet on call of the President, or of the Secretary, when in the judgment of either the interests of the Federation require.



## BY-LAWS.

## SECTION 1.

It shall be the duty of the Secretary, on order of the Official Board, to receive and file for the information of the constituent associations and their members all such legal and proper information as shall be transmitted to this Federation by and through its members, but no such information or bulletins shall be disseminated until the same shall have been considered and approved by the Official Board or the Executive Committee, *either in session or by correspondence.*<sup>1</sup>

## SECTION 2.

It shall be the duty of the Secretary quarterly, or as often as the Official Board may deem advisable, to issue a bulletin to the constituent associations and their members.

## SECTION 3.

When and so often as such bulletins shall be ordered by the Official Board of this Federation it shall be the duty of the Secretary to publish and disseminate the same.

## SECTION 4.

It shall be the duty of each constituent association, through its secretary, to supply a corrected list of the members in good standing of said association, to the Secretary of the Federation, whenever and so often as the same shall be corrected and published.

## SECTION 5.

Any retail Implement and Vehicle Dealers' Association which shall have accepted the constitution, by-laws and rules of this Federation, and shall have provided for the payment of the sum of forty cents (40¢) per annum for each member in good standing in said association on the first day of October next preceding (payable as soon as possible after the annual meetings of the several associations) toward the expenses of this Federation, shall by virtue of the same, become a member or constituent association of this Federation, and shall be entitled to representation in annual and special meetings of the Federation on the basis of one delegate for each one hundred members, or fraction thereof exceeding fifty, on which said association pays per capita tax. And all members in good standing of said constituent association, shall by virtue of the payment as above described, be entitled to all bulletins, correction sheets, or other information published by said Federation, which shall be designed for the information of members, and to call upon the officers of said Federation at all times for any special information which it may be in their power to give; provided, however, that if the legitimate expenses of the Federation for any year be found to exceed the amount

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<sup>1</sup> Italicized words in ink in copy.

realized from the per capita tax of forty cents (40¢) per member, then the deficit shall be paid by the several constituent associations pro rata in proportion to the number of members in good standing on the first of October next preceding, as aforesaid, except that in no case shall any association be asked to pay over twenty cents (20¢) per member in addition to the per capita tax of forty cents (40¢) provided for in this section.

## SECTION 6.

No officer of this Federation shall receive any salary except the Secretary, who shall be paid such salary as may be fixed by the Official Board. But each member of the Official Board shall be entitled to have his necessary expenses paid when attending meetings or acting under the instruction of the Board, provided, however, that no member or members of the Official Board from any one association shall be allowed a greater amount for expenses than will equal the amount paid by such association toward the expenses of the Federation. Any additional expenses over that amount, as well as expenses of delegates who are not members of the Official Board, must be borne by the individual or his own association.

## SECTION 7.

The Official Board shall take such action as may be deemed necessary or advisable in regard to inspecting and auditing the books and accounts of the Secretary-treasurer, and safeguarding the funds of the Federation.

## EXHIBIT 24.

**CONSTITUTION AND BY-LAWS RECOMMENDED IN 1904<sup>1</sup> BY THE NATIONAL FEDERATION OF IMPLEMENT AND VEHICLE ASSOCIATIONS FOR ADOPTION BY CONSTITUENT ASSOCIATIONS.**

## CONSTITUTION.

## DECLARATION OF PURPOSE.

We realize the convenience, if not necessity, of the retail implement, vehicle and hardware dealer to every community, and we are interested in the promotion of the general welfare and the perpetuation of the retail implement, vehicle and hardware business.

We recognize the absolute right of every person, partnership or corporation to establish and maintain as many retail stores as he, they, or it may see fit.<sup>2</sup>

We recognize the legal right of the manufacturer and wholesale dealer in implements, vehicles or hardware to sell implements, vehicles or hardware<sup>3</sup> in whatever, market, to whatever purchaser, and at whatever price they may see fit.

<sup>1</sup> Changes subsequently recommended by the Federation are indicated in the footnotes to this exhibit.

<sup>2</sup> At the meeting of the National Federation in October, 1910, it recommended, by unanimous vote, that this paragraph be omitted and that each constituent association take prompt action in executive session on the matter. (See pp. 160, 161.)

<sup>3</sup> In the copy of the constitution furnished the Bureau of Corporations a line has been drawn through the words "implements, vehicles or hardware."

We also recognize the disastrous consequences which result to the regular retail implement, vehicle and hardware dealer from direct competition with wholesalers and manufacturers, and appreciate the importance to the retail dealer of accurate information as to the nature and extent of such competition where any exists.

And, recognizing and appreciating the advantage of co-operation in securing and disseminating any and all proper information for our mutual convenience, benefit or protection, we have organized this association, and have adopted the following articles for the government of our affairs.

#### ARTICLES OF ASSOCIATION.

##### ARTICLE I.—*Name.*

The name of this organization shall be \_\_\_\_\_.

##### ARTICLE II.—*The Object.*

The object of this association is and shall be to secure and disseminate to its members any and all legal and proper information which may be of interest or value to any member or members thereof in his or their business as retail implement, vehicle or hardware dealers.

##### ARTICLE III.—*Limitations and Restrictions.*

SECTION 1. No rules, regulations or by-laws shall be adopted in any manner stifling competition, limiting production, restraining trade, regulating prices, or pooling profits.

SEC. 2. No coercive measures of any kind shall be practiced or adopted toward any retailer, either to induce him to join the association, or to buy or to refrain from buying of any particular manufacturer or wholesaler. Nor shall any discriminatory practices on the part of this association be used or allowed against any retailer for the reason that he may not be a member of the association, or to induce or persuade him to become such member.

SEC. 3. No promises or agreements of any kind shall be requisite to membership in this association, nor shall any penalties be imposed upon its members for any cause whatsoever.

##### ARTICLE IV.—*Membership.*

SEC. 1. Any person, firm or corporation regularly engaged in the retail implement, vehicle or hardware trade, carrying an assorted stock of implements, vehicles or hardware reasonably commensurate with the demands of his community, shall be considered a regular retail implement, vehicle or hardware dealer, and be eligible to membership in this association.

SEC. 2. The membership fee shall be \_\_\_\_\_ dollars (\$\_\_\_\_\_), payable in advance, and this fee shall cover the dues for one year from date of certificate. The annual dues thereafter shall be \_\_\_\_\_ dollars per year.

Retail dealers having more than one store shall be considered as members only at points for which they have taken memberships.

SEC. 3. The membership fee and annual dues, as provided in the preceding section, when paid, shall entitle the party to membership

and to all the rights and privileges of this association to the end of the year for which such dues are paid, and no longer; but membership may be renewed for each successive year by the pre-payment of the annual dues for any such year, unless the board of directors shall, for cause, determine that the party is undesirable, or ineligible to membership.

SEC. 4. Any member may withdraw from membership in this association at any time by giving written notice to the secretary of such withdrawal, and by surrendering his certificate of membership. Any member going out of the retail implement, vehicle or hardware business which entitled him to membership<sup>1</sup> shall be deemed to have withdrawn from membership.

SEC. 5. Any member withdrawing from membership, or ceasing to be a member for any reason, shall not be entitled to refund of membership fee, or of any annual dues, or any part thereof, but the same, and the whole thereof, shall belong to the association absolutely.

#### ARTICLE V.—*Officers and their duties.*<sup>2</sup>

SEC. 1. The affairs of this association shall be managed by a president, vice-president, and a board of ——— directors, including the president, vice-president and secretary, who shall be ex-officio members thereof. The president and vice-president shall be elected annually. The balance of the directors shall be elected as follows: One-half for one year and one-half for two years, and one-half to be elected yearly thereafter, to hold office for the term of two years; all officers to be elected by ballot. It shall be the duty of the president, or, in his absence, the vice-president, to preside at all meetings of this association. The directors shall have the power to hold meetings at such times as they may deem proper, to make or amend by-laws for carrying into effect the objects of this association; to appoint committees; to print and circulate documents in the interest of this association; to disburse the funds of this association; to

<sup>1</sup> In the copy of the constitution furnished to the Bureau of Corporations, a line has been drawn through the words "retail implement, vehicle or hardware" in this paragraph, and the words "which entitled him to membership" are inserted in pencil on the margin.

<sup>2</sup> Subsequently Articles V and VI were consolidated. Article V of the present constitution of the Western Retail Implement Vehicle & Hardware Association furnished the Bureau reads as follows:

#### ARTICLE V.—*Officers and Their Duties.*

SEC. 1. The affairs of this Association shall be managed by a Board of Directors consisting of a President, Vice-President, Secretary-Treasurer, and eight (8) Directors.

SEC. 2. The President and Vice-President shall be elected annually. The Directors shall be first elected as follows: Two for one year, two for two years, two for three years, and two for four years; thereafter two Directors shall be elected annually for a term of four years. Above named Officers and Directors to be elected by ballot. The Secretary-Treasurer shall be elected by the Board of Directors, as hereinafter provided. The Officers and Directors shall serve until their successors are elected and duly qualified.

SEC. 3. *Executive Committee.*—The President, Vice-President and Secretary, ex-officio, are constituted the Executive Committee of this Association. In all matters relating to reports made by this Association between the sessions of the Board of Directors, the said Committee shall have the same powers as those conferred upon the said Board of Directors. Upon the request of the Secretary, said Committee shall convene to determine such matters as are not clearly defined by the Articles of Association, or such other questions as he deems of great importance to the Association.

SEC. 4. *Presiding Officers.*—It shall be the duty of the President, or in his absence, the Vice-President, to preside at all meetings of this Association, and of the Board of Directors, or Executive Committee.

SEC. 5. *Auditing Committee.*—The President shall immediately preceding the annual meeting, appoint a committee of two from the membership and one from the Board to examine the accounts of the Secretary-Treasurer and report at said meeting.

SEC. 6. *Board of Directors.*—The Board of Directors shall have power to hold meetings at such times as they may deem proper; to make, or amend by-laws for carrying

employ a suitable person as secretary, at such salary as in their judgment will be for the best interests of the association; and devise and carry into execution such other measures as they may deem proper to promote the welfare of this association. All resolutions of the board of directors may be authenticated by the signature of the president and the countersignature of the secretary. The directors shall be paid their necessary expenses in attendance upon meetings of the board, or acting under the instructions of the board.

*Election of Secretary-Treasurer.*

SEC. 2. It shall be the duty of the board of directors after each annual meeting to elect a secretary-treasurer for the term of one year, who shall give bond to be approved by the board of directors, for the faithful performance of the duties of his office. They shall fix his salary; but such salary shall not be in excess of the sum which said board may reasonably expect to receive from the memberships of this association.

*Duties of Secretary-Treasurer.*

SEC. 3. Upon election, the secretary shall become a member of the board of directors, to serve during his term of office, and to have a full voice in the management of the affairs of this association, during the time which he may serve.

It shall be the duty of the secretary-treasurer to keep the minutes of this association, and to keep a strict account of all moneys belonging to the association. He shall make an itemized report at each annual meeting of the business of the previous year.

The secretary shall notify each member of this association of the annual or special meetings at least ten days previous to such meeting.

The board of directors shall prescribe and determine what other service he shall give to the association during the term of his office.

into effect the objects of this Association; to appoint committees; to print and circulate documents in the interest of this Association; to disburse the funds of this Association, and devise and carry into execution such other measures as they may deem proper to promote the welfare of this Association. All resolutions of the Board of Directors may be authenticated by the signature of the President and the countersignature of the Secretary-Treasurer.

SEC. 7. *Examining Books.*—The Board of Directors shall examine the books of the Secretary-Treasurer as often as they may deem necessary, and if they shall find anything not satisfactory to themselves, they shall at once report the same to the President, who shall have power to remove the Secretary-Treasurer with consent of the Board.

SEC. 8. *Vacancies.*—Should a vacancy occur in any of the offices of this Association, the Board of Directors shall appoint a successor to serve until the next annual meeting.

SEC. 9. *Election of Secretary-Treasurer.*—It shall be the duty of the Board of Directors after each annual meeting to elect a Secretary-Treasurer for the term of one year, who shall give good and sufficient bond, to be approved by the Board of Directors, for the faithful performance of the duties of his office. They shall fix his salary; but such salary shall not be in excess of the sum which said Board may reasonably expect to receive from the memberships of this Association.

SEC. 10. *Duties of Secretary-Treasurer.*—Upon election, the Secretary shall become a member of the Board of Directors, to serve during his term of office, and to have a full voice in the management of the affairs of this Association, during the time which he may serve.

It shall be the duty of the Secretary-Treasurer to keep the minutes of this Association, and to keep a strict account of all moneys belonging to the Association. He shall make an itemized report at each annual meeting of the business of the previous year.

The Secretary shall notify each member of this Association of the annual or special meetings at least ten days previous to such meeting.

The Board of Directors shall prescribe and determine what other service he shall give to the Association during his term of office.

*Executive Committee.*

SEC. 4. The president, vice-president and secretary, ex-officio, are constituted the executive committee of this association. In all matters relating to reports made by this association between sessions of the board of directors, the said committee shall have the same powers as those conferred upon the said board of directors. That upon the request of the secretary, said committee shall convene to determine such matters as are not clearly defined by the articles of association or such other questions as he deems of great importance to the association.

ARTICLE VI.—*Duties of Officers.*<sup>1</sup>

SEC. 1. *Presiding Officer.* It shall be the duty of the president, or, in his absence, the vice president, to preside at all meetings of this association, or its board of directors. In the absence of both president and vice president, the directors in order of their seniority shall preside.

SEC. 2. *Vice President.* In the absence of the president the vice president shall perform the duties of the president.

SEC. 3. *Directors.* It shall be the duty of the board of directors, after each annual meeting, to elect a secretary-treasurer for a period not exceeding one year, on such terms as may be agreed upon.

The directors shall examine the books of the secretary-treasurer as often as they may deem necessary, and if they shall find anything not satisfactory to themselves, they shall at once report the same to the president, who shall have power to remove the secretary-treasurer with consent of the board of directors.

The president shall immediately preceding the annual meeting appoint a committee of two from the membership and one from the board to examine the accounts of the secretary-treasurer and report at said meeting.

Should a vacancy occur in any of the offices of this association, the board of directors shall appoint a successor to serve until the next annual meeting.

The board of directors may make such by-laws, not inconsistent with the provisions of the foregoing declaration of purpose and these articles, as to them may seem necessary and practicable for the proper management and conduct of the affairs of this association.

SEC. 4. *Secretary-Treasurer.* It shall be the duty of the secretary-treasurer to keep safely all moneys of the organization received by him from any source, and pay out the same on consecutively numbered vouchers, approved by the president and attested by him as secretary. He shall give a bond in the sum of \_\_\_\_\_ Dollars, (\$\_\_\_\_\_) to be approved by the board of directors.

He shall keep the minutes of the meetings of this organization and of the board of directors, and keep a strict account of all moneys belonging to the same. He shall make a report at each annual meeting of the work of the previous year.

The secretary shall notify each member of the annual and special meetings at least ten days previous to such meetings.

The board of directors shall prescribe and determine what other service he shall give to the organization during the term of his office.

<sup>1</sup> See footnote on pp. 312-313.

ARTICLE VII.—*Reports to Secretary.*<sup>1</sup>

SEC. 1. Any member of this association having knowledge of a sale by a manufacturer or wholesale dealer or his agents to other than a regular dealer within the territory of such member, may notify the secretary of this association in writing, giving as full information in reference thereto as practicable, such as date or dates of shipment and arrival, original point of shipment, names of consignor and consignee, and such other particulars as may be obtainable.

Such notice, if filed at all, must be sent, with or without information in detail, within a reasonable time after receipt of shipment at point of destination, and no notice shall be filed of any such sale or shipment occurring within fifteen days after date of said member's certificate of membership.

Upon receipt of such written notice, the secretary shall immediately verify such report so far as practicable.

SEC. 2. All sales or shipments made to other than regular dealers by commission merchants, agents or brokers, shall be considered as though the same were made directly by the manufacturer or wholesaler from whom such commission merchants, agents or brokers secure such goods or shipments.

SEC. 3. Each member, when he joins this association and once each year thereafter (and oftener if the board of directors shall request it) is expected to furnish the secretary, when called upon to do so, a list of those manufacturers and wholesalers and agents, from whom he buys.

ARTICLE VIII.—*Meetings.*

SEC. 1. *Annual.* The annual meeting of this association shall be held at such time and place as the board of directors may determine.

SEC. 2. *Special.* Special meetings of this association may be called by the board of directors when in the opinion of the board such meetings are necessary.

SEC. 3. *Notice.* Members shall be notified by mail of annual and special meetings at least ten days previous to such meetings.

ARTICLE IX.—*Compensation of Officers.*

All officers and directors of this organization shall be entitled to have their necessary expenses paid when attending meetings, or acting under the instructions of the board.

ARTICLE X.—*Quorum.*

A quorum of this organization for the transaction of business shall be a majority of its board of directors.

ARTICLE XI.—*Amendments.*

Amendments to these articles may be made at any regular meeting, or special meeting called for that purpose, by a vote of at least two-thirds of the members present and voting.

<sup>1</sup> At the meeting of the National Federation in October, 1910, it recommended, by unanimous vote, that sections 1 and 2 of this article be omitted from the constitution of each constituent association. Each of the latter was advised to take prompt action in executive session on the matter. (See pp. 160, 161.)

In case of necessity, of which the board of directors shall be the sole judge, such board may amend these articles, and such amendment shall hold good until the next following meeting of the association.

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EXHIBIT 25.

UNIFORM ARTICLES OF ASSOCIATION RECOMMENDED BY NATIONAL FEDERATION OF IMPLEMENT & VEHICLE DEALERS' ASSOCIATIONS FOR ADOPTION BY LOCAL CLUBS OF DEALERS.

ARTICLES AND BY-LAWS OF LOCAL CLUB, NUMBER —, OF ASSOCIATION ———, ADOPTED ———, 191—.

PREAMBLE.

We acknowledge the interest and value to the retail dealers of the State Associations and the Federation, and yet we realize the need of a closer and more personal community of interest among the Retail Implement, Vehicle and Hardware Dealers in our own territory.

Believing that the intimate association in a social club will induce a more cordial and friendly feeling among us, thereby avoiding strife and enabling us to be mutually helpful to one another in matters of Credits, Collections and Reduction of Operating Expenses, we have adopted the following Articles for the regulation of our Local, and cordially invite the regular Implement, Vehicle and Hardware Dealers of this section to join with us and participate in the pleasures and benefits of our social organization.

CLUB ARTICLES.

ARTICLE I.—*Name.*

This Club shall be known as Local Number — of ———.

ARTICLE II.—*Object.*

Its object shall be social enjoyment and entertainment, together with such benefits in a business way as will naturally be brought about by a feeling of fraternity and good fellowship among its membership.

ARTICLE III.—*Territory.*

The territory proper of this Local shall be ——— in the state of ———, though dealers in adjoining territory may be received on same terms and conditions if they desire to do so.

ARTICLE IV.—*Restriction.*

No Article or By-Laws shall be adopted which will conflict with the regulations of the constituent association under which this Club is organized, nor with those of the National Federation of Retail



Implement and Vehicle Dealers' Associations, of which it is a member.

ARTICLE V.—*Membership.*

SECTION 1. Any person, firm or corporation engaged in selling at retail Agricultural Implements, Vehicles or Hardware, maintaining a regular place of business, and carrying on hand at all times a stock of goods reasonably sufficient for the territory where located, shall be considered a regular dealer and eligible to membership in this club.

SECTION 2. The membership fee shall be ——— dollars, payable in advance, which shall cover the dues for the first year. The annual dues thereafter to be ——— dollars per year.

SECTION 3. Signing these Articles and payment of membership fee shall entitle an applicant to full membership, unless objection be made, in which case a majority vote of members present shall be required to elect.

SECTION 4. Any member may be expelled by a majority vote, or may withdraw at any time by surrendering his membership card. Also anyone going out of the business which made him eligible shall be considered as withdrawn.

ARTICLE VI.—*Officers and their Duties.*

SECTION 1. The affairs of this Club shall be conducted by a President, Vice-President, and a Secretary-Treasurer, who in addition to performing the usual duties of such office, shall, ex-officio, constitute an Executive Committee, which shall have and exercise the full authority of the Club in the interval between meetings.

SECTION 2. The President, by and with the consent of the Club, or of the Executive Committee, shall appoint standing committees of three members each on Entertainment, Grievance, and Credits and Collections.

SECTION 3. The Entertainment Committee, under general direction of the Club or Executive Committee, shall be charged with the duty of planning and providing suitable entertainment, literary or otherwise, for the various meetings of the Club.

SECTION 4. The Grievance Committee shall be expected to investigate and adjust any difference arising between members of the Club, and anyone continuing to remain a member shall be expected to abide by the decisions of the Grievance Committee, subject, however, to an appeal by either party to the Club or Executive Committee.

SECTION 5. The Committee on Credits and Collections shall from time to time devise and submit for the approval of the Club, such plans as in their judgment may be for the best interest of the members along this line, and shall perform such other duties as may be assigned them by the Club or Executive Committee.

SECTION 6. All officers and standing committees shall hold their office for one year, or until their successors are elected and qualified.

ARTICLE VII.—*Meetings.*

SECTION 1. Regular meetings shall be held as the Club may from time to time direct, but special meetings may be held at any time or

place on call of the President, or of any two members of the Executive Committee.

SECTION 2. Any number of members shall constitute a quorum for the transaction of business, except where an expulsion or an appeal is to be considered, without previous notice to members of such proposed consideration, in which case a majority of the Club members must be present to make such decision binding. Two shall constitute a quorum of the Executive Committee at any time.

ARTICLE VIII.—*By-Laws and Amendments.*

SECTION 1. The Club or the Executive Committee may enact from time to time such By-Laws as may be found necessary for the carrying out of the provisions of these Articles.

SECTION 2. The Club Articles or the By-Laws may be amended by a two-thirds vote at any regular meeting or special meeting of the Club, provided a majority of the members are present, or that reasonable notice had been given the members of such proposed change.

EXHIBIT 26.

NUMBER OF MEMBERS OF RETAIL IMPLEMENT DEALERS' ASSOCIATIONS AFFILIATED WITH THE NATIONAL FEDERATION OF IMPLEMENT & VEHICLE DEALERS' ASSOCIATIONS, 1901-1913.<sup>1</sup>

Name of association.	1901	1902	1903	1904	1905	1906	1907
Western Retail Implement, Vehicle & Hardware Association.....	1,000	1,100	1,100	1,200	1,250	1,250	1,300
Nebraska & Western Iowa Retail Implement Dealers' Association.....	240	221	206	100	63	26	37
Iowa Implement Dealers' Association.....	220	120	180	232	240	235	240
Tri-State Vehicle & Implement Dealers' Association.....	100	150	150	.....	.....	.....	188
Michigan Retail Implement & Vehicle Dealers' Association.....	.....	.....	.....	.....	90	160	177
Minnesota Retail Implement Dealers' Association.....	.....	.....	.....	.....	110	110	105
Texas Hardware & Implement Association.....	143	150	180	296	119	191	150
Illinois Retail Implement Dealers' Association.....	107	107	100	80	120	126	190
Wisconsin Retail Implement & Vehicle Dealers' Association.....	.....	.....	.....	.....	.....	.....	90
Retail Implement Dealers' Association of South Dakota, Southwestern Minnesota & Northwestern Iowa.....	127	151	147	236	126	104	79
Colorado Retail Hardware & Implement Association.....	.....	.....	.....	.....	.....	.....	71
North Dakota & Northwestern Minnesota Implement Dealers' Association.....	.....	.....	.....	105	165	106	81
The Oklahoma Retail Hardware & Implement Dealers' Association.....	.....	19	19	62	44	45	35
Eastern Vehicle Dealers' Association.....	.....	260	310	175	.....	.....	.....
Southwestern Kansas & Oklahoma Association.....	.....	.....	83	88	.....	.....	.....
Rice Belt Association.....	.....	.....	.....	.....	8	13	.....
Montana Implement Dealers' Association.....	22	.....	.....	.....	.....	.....	13
Total.....	1,959	2,278	2,455	2,574	2,335	2,366	2,756

<sup>1</sup> The Pacific Northwest Hardware & Implement Association and the Montana Implement Dealers' Association were represented by their secretaries as delegates in the annual convention of Oct. 13, 14, and 15, 1914.

Number of members of retail implement dealers' associations affiliated with the National Federation of Implement & Vehicle Dealers' Associations, 1901-1913—Continued.

Name of association.	1908	1909	1910	1911	1912	1913
Western Retail Implement, Vehicle & Hardware Association.....	1,400	1,400	1,400	1450	1,500	1,600
Iowa Implement Dealers' Association.....	260	325	350	400	450	575
Tri-State Vehicle & Implement Dealers' Association.....	188	300	400	450	450	400
Michigan Retail Implement & Vehicle Dealers' Association.....	210	307	400	375	350	250
Minnesota Retail Implement Dealers' Association.....	105	128	200	200	275	600
Texas Hardware & Implement Association.....	150	125	350	350	350	350
Illinois Retail Implement Dealers' Association.....	214	232	250	250	200	150
Wisconsin Retail Implement & Vehicle Dealers' Association.....	114	200	250	175	200	200
Mid-West Retail Implement Dealers' Association.....		69	100	125	225	350
Retail Implement Dealers' Association of South Dakota, Southwestern Minnesota & Northwestern Iowa.....	124	85	175	200	200	100
Colorado Retail Hardware & Implement Association.....	74	90	150	125	200	100
The Mississippi Valley Implement & Vehicle Dealers' Association.....		35	35	100	125	100
North Dakota & Northwestern Minnesota Implement Dealers' Association.....	100	88	75	100	100	150
The Oklahoma Retail Hardware & Implement Dealers' Association.....	60	60	60			
Virginia & North Carolina Retail Implement, Machinery & Vehicle Dealers' Association.....					50	50
New York State Retail Implement & Vehicle Dealers' Association.....		48	50	50	50	50
Pennsylvania & New Jersey Retail Implement & Vehicle Dealers' Association.....						100
Total.....	2,999	3,492	4,245	4,350	4,725	5,125

## EXHIBIT 27.

CARD ENTITLED "SIMPLE SUGGESTIONS ON COST FIGURING," ISSUED IN DECEMBER, 1909, FOR INFORMATION OF DEALERS.<sup>1</sup>

*First.* Charge *interest* on the net amount of your total investment at the beginning of your business year exclusive of real estate.

*Second.* Charge *rental* on all real estate or buildings owned by you and used in your business at a rate equal to that which you would receive if renting or leasing it to others.

*Third.* Charge in addition to what you pay for hired help, an amount equal to what *your services* would be worth to others, also treat in like manner the services of *any member of your family* employed in the business not on your regular pay roll.

*Fourth.* Charge *depreciation* on all goods carried over on which you may have to make a less price because of change in style, damage or any other cause.

*Fifth.* Charge *depreciation* on buildings, tools, fixtures or anything else suffering from age or wear and tear.

*Sixth.* Charge amounts *donated* or *subscriptions* paid.

*Seventh.* Charge all *fixed expense*, such as taxes, insurance, water, lights, fuel, etc.

*Eighth.* Charge all *incidental expense* such as drayage, postage, office supplies, livery or expense of horses and wagons, telegrams and telephones, advertising, canvassing, etc.

<sup>1</sup> Italicized words in this exhibit were printed in black-face type in original.

*Ninth.* Charge *losses* of every character including goods stolen or sent out and not charged, allowances made customers, bad debts, etc.

*Tenth.* Charge *collection* expense.

*Eleventh.* Charge any *other expense* not enumerated above.

*Twelfth.* When you have ascertained the sum of all the foregoing items, prove it by your books, and you will have your total expense for the year, then divide this figure by the total of your sales and it will show the per cent which it has cost you to do business.

*Thirteenth.* Take this per cent and deduct it from the price of any article you have sold, then subtract from the remainder what it cost you (invoice price and freight) and the result will show your net profit or loss on the article.

*Fourteenth.* Go over the selling prices of the various articles you handle and see where you stand as to profits.

*Fifteenth.* In making selling prices at the beginning of a new year, take the total expenses of the old year and divide this by the total of your purchases for the old year (invoice price and freight) and the result will be the per cent to add to invoice and freight to cover expense, then add your profit and you have your selling price.

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#### EXHIBIT 28.

#### "SUGGESTIONS NO. 2," ISSUED BY COST EDUCATIONAL ASSOCIATION IN MAY, 1910.

(Cost Educational Association, 1100 American Trust Bldg., Chicago. Copyright 1910. Cost Educational Association.)

**COST EDUCATIONAL ASSOCIATION—COMPOSED OF MANUFACTURERS, JOBBERS, RETAIL MERCHANTS, TRADE PAPERS AND TRAVELING SALESMEN.**

Organized for the purpose of improving business conditions in the retailing of Agricultural Implements, Vehicles and kindred lines through more correct knowledge of the "Costs of Doing Business."

#### SUGGESTIONS NO. 2.

In offering the within suggestions and rules we do so with the knowledge that no two business houses are on the same basis either as to capital, equipment or expense.

The percentage of expense in one can not safely be applied to another nor should any general average of expense be used, you **MUST** know for **YOURSELF** what **YOUR** expenses are and in the very working out of them you will be rewarded, for to know every important detail of your business not only puts you in command but you can not lose a dollar unknowingly as is now true in many cases without this knowledge.

The principles laid down in the within suggestions can be applied to any retail business with profit. If every merchant can be induced to provide in his selling prices all his costs, ruinous competition will disappear, for the measure of profit can safely be left with the man who knows his exact expense.

## EXPLANATION (OF ITEMS ON OPPOSITE PAGE [IN TABLE BELOW]).

1. **TAXES.** Include all taxes and licenses.
2. **INSURANCE.** Fire and all protection except life insurance.
3. **FUEL, LIGHT AND WATER.**
4. **RENT.** Include rent of all property used in the business or if owned by you, consider an amount equal to what it would cost if rented from others.
5. **SALARIES.** Include amounts to cover salaries of proprietor, partners, officers or members of their families employed in the business, equal to what their services would command elsewhere, if not already on your pay roll.
6. **CLERK HIRE.** Incl. canvassers and extra labor.
7. **ADVERTISING.** Include all money expended in advertising, or entertainment of customers in promoting trade.
8. **EXPRESS, TELEPHONE AND TELEGRAPH.** Include all amounts expended for these items where not added to invoice price of goods or charged to customer.
9. **OFFICE SUPPLIES, POSTAGE, ETC.** Include all bills for stationery, ink, pens, pencils, postage stamps, etc.
10. **STORE SUPPLIES.** Include all bills for wrapping paper, twine, boxes, crating, brooms, etc.
11. **LIVERY, DRAYAGE, ETC.** Figure in all expenses of these items where hired of others.
12. **HORSES AND WAGONS.** If owned by you figure all expenses of their upkeep.
13. **REPAIRS.** This item should include all amounts paid to keep buildings in order if not figured in rent, also repairs on fixtures and equipment.
14. **DEPRECIATION.** Include a proper deduction (some say 10%) from your last inventory of fixtures, tools and other personal property subject to decline in value because of wear and tear. Also depreciate goods carried over which can not be sold at full or regular prices.
15. **DEDUCTIONS.** Include amounts allowed customers for damage or any cause whatever.
16. **DONATIONS AND SUBSCRIPTIONS.** Include money or goods donated to charity or public enterprises. (Private charities not included.)
17. **LOSSES.** Include notes and accounts which are uncollectible, also amounts paid attorneys for collections, and goods lost or stolen or sent out and not charged.
18. **MISCELLANEOUS EXPENSES.** Include all expenses not provided for above.
19. **INTEREST ON TOTAL INVESTMENT.** Figure interest on your total assets at the beginning of your business year (cash, notes, accounts, merchandise, etc.). If this is done it insures your getting profits at least equal to interest had your capital been loaned instead of invested.

COST OF DOING BUSINESS—YEARLY STATEMENT.

1. Taxes.....			12. Horses and Wagons.....		
2. Insurance.....			13. Repairs.....		
3. Fuel, Light, Water, Etc.....			14. Depreciation.....		
4. Rent.....			15. Deductions.....		
5. Salaries.....			16. Donations and Subscriptions.....		
6. Clerk Hire.....			17. Losses.....		
7. Advertising.....			18. Miscellaneous expenses.....		
8. Express, Teleph. and Teleg.....			19. Interest on Total Investment.....		
9. Office Supplies, Postage, Etc.....			Total expense.....		
10. Store Supplies.....			Total sales.....		
11. Livery, Drayage, Etc.....					

PER CENT—Cost of doing business.

RULE—Divide Total Expense by Total Sales and result will be per cent of cost to do business.


 To fix selling prices see rule on next page [below].

TABLE FOR FINDING THE SELLING PRICE OF ANY ARTICLE.

Cost to do business.	Net per cent profit desired.																				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	20	25	30	35	40	50
15%	84	83	82	81	80	79	78	77	76	75	74	73	72	71	70	65	60	55	50	45	35
16%	83	82	81	80	79	78	77	76	75	74	73	72	71	70	69	64	59	54	49	44	34
17%	82	81	80	79	78	77	76	75	74	73	72	71	70	69	68	63	58	53	48	43	33
18%	81	80	79	78	77	76	75	74	73	72	71	70	69	68	67	62	57	52	47	42	32
19%	80	79	78	77	76	75	74	73	72	71	70	69	68	67	66	61	56	51	46	41	31
20%	79	78	77	76	75	74	73	72	71	70	69	68	67	66	65	60	55	50	45	40	30
21%	78	77	76	75	74	73	72	71	70	69	68	67	66	65	64	59	54	49	44	39	29
22%	77	76	75	74	73	72	71	70	69	68	67	66	65	64	63	58	53	48	43	38	28
23%	76	75	74	73	72	71	70	69	68	67	66	65	64	63	62	57	52	47	42	37	27
24%	75	74	73	72	71	70	69	68	67	66	65	64	63	62	61	56	51	46	41	36	26
25%	74	73	72	71	70	69	68	67	66	65	64	63	62	61	60	55	50	45	40	35	25

RULE.

Divide the cost (invoice price with freight added) by the figure in the column of "net rate per cent profit desired" on the line with per cent it costs you to do business.

Example:

If a wagon cost..... \$60.00  
 Freight..... 1.20

You desire to make a net profit of..... 81.20  
 It costs you to do business..... 5%  
 19%

Take the figure in column 5 on line with 19 which is 76

$$\begin{array}{r} 76 \mid 61.2000 \mid \$80.52 = \text{the selling price.} \\ \hline 608 \\ \hline 400 \\ 380 \\ \hline 200 \\ \hline 152 \end{array}$$

## EXHIBIT 29.

**COST SYSTEM RECOMMENDED FOR THE USE OF THE MEMBERS OF  
THE NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION OF THE  
UNITED STATES OF AMERICA.**

(Published by the Association, 1912. General Offices: 76 W. Monroe Street, Chicago, Illinois.)

[Index omitted.]

## FOREWORD.

The value of an adequate system of Costs to a modern business is undisputed, for the greater portion of our trade evils, particularly those of competition, result from lack of knowledge of these essentials. If the line separating profit from loss is not illuminated and made to stand clearly before us by our cost and expense figures, how can we hope for gain and growth? It is rather to emphasize this than to present a perfect system that these suggestions are compiled.

The present system is the result of the revision of a similar plan published by the National Plow Association and compiled by its Secretary, Mr. C. E. Sanders, under the direction of Mr. G. W. Crampton, who continues as Chairman of the Committee on Manufacturing Costs of this Association. This revision was submitted by Mr. Crampton at the Annual Convention of the National Implement & Vehicle Association at Cleveland, Ohio, October 24, 1912. The Convention ordered the publication of the system for the use of the members.

The principles of this system are of general application, and they can be used by all concerns in the lines comprehended within the term—"Farm Operating Equipment."

## THE SYSTEM IN OUTLINE.

The method of determination of the cost of production, and marketing or distribution of any article, involves many considerations and the detailed treatment of the elements of this cost. In general the total cost is made up of the cost of manufacture, and the cost of marketing or distribution. Each of these main divisions includes so many elements that it is considered advisable to set forth in outline the phases which will be considered. They are as follows:

## 1. COST OF GOODS IN WAREHOUSE.

This includes all manufacturing expense under the following headings:

- (a) Costs of material.
- (b) Costs of labor.
  - (1) Productive labor.
  - (2) Non-Productive labor.
- (c) Other manufacturing expense.

## 2. SALES AND ADMINISTRATIVE EXPENSE.

Sales and Administrative Expense is considered under two headings depending upon whether the distribution is to the jobber or to the retail dealer.

## 3. TOTAL EXPENSE.

The total expense is, of course, the sum of all contributing elements considered. If the delivered cost is desired, freight charges should be added.

## THE SYSTEM IN DETAIL.

## THE COST OF GOODS IN WAREHOUSE.

## MATERIAL.

*Items Included.*

Steel  
Malleables  
Lumber  
Bolts  
and all other materials.

*General Considerations.*

All material should be considered at Cost Price.

In figuring steel and lumber use sizes purchased, i. e., use size and weight before drilling, punching or cutting is done.

A proper percentage for waste should be allowed, including waste by errors in manufacture or defective material or material rendered obsolete.

An amount should be figured and reduced to a percentage to cover loss in using material not according to specifications or material purchased from jobbing stock on which there is waste.

This percentage should also include extra freight paid, bonus prices and all differences in prices paid in excess of contract on which costs are based.

Unless provided for by an interest charge on capital and surplus, as explained under Other Manufacturing Expenses, the interest charge should be added to cost of material by reason of carrying charges on material from the average date of purchase until the average date of delivery of goods in the warehouse. In the figuring of this average, material carried on inventory should be taken into account. In figuring the cost of lumber, which is carried on longer time, the carrying charge should be considered.

## LABOR.

All labor is divided into two general classes—Productive labor and Non-Productive labor.

Productive labor is the labor put directly on the article under manufacture. Non-Productive labor is that labor which is not associated directly with the article under manufacture, but is necessary for the operation of the factory.

Productive labor may be figured for each individual job, i. e., for each implement or article and is determined directly from workmen's time slips.

Non-Productive labor on the contrary must be figured in a different manner. The most practical means is to separate the items of productive and non-productive labor and determine the ratio of



the total non-productive labor of the factory to the productive labor for a given period, such as a month, or year. After such a figure has been obtained with sufficient accuracy, the percentage may be used to apply to the productive labor to any article under manufacture and secure the cost of non-productive labor on the article.

#### 1. Productive Labor.

##### Items Included.

1. Day work.
2. Piece work.
3. Boxing or crating for domestic trade.
4. Boxing or crating for foreign trade, etc.

##### General Considerations.

Under this heading should be included only the actual specific labor performed on any piece of work.

Care should be taken to allow sufficiently for changing dies, forms, etc., unless accounted for in Non-Productive labor. Labor lost upon work which is defective or which is spoiled in manufacturing should be considered. It is in these two items that there is oftentimes an underestimate. If there is an underestimate the amount of productive labor in each article is figured too low, likewise the non-productive labor which is based upon productive labor (explanation later) is figured correspondingly too low, and the total labor costs suffer from the double error. To guard against an underestimate, a check should be made monthly of the productive labor in total by making a comparison of the total productive labor as figured on the cost sheets with the total productive labor shown by the pay roll or labor account, and if the cost sheets show less productive labor than the total of the pay roll, add the proper percentage to cover this difference. (See System of Accounts.)

##### Illustration.

###### Pay Roll:

Total wages paid for productive labor in all departments for the month.....	\$5,000.00
---	------------

###### Cost Sheet:

Productive labor on implements finished and partly finished during the month.....	4,750.00
---	----------

Loss .....	250.00
------------	--------

which is five per cent of the actual productive labor cost. This percentage, therefore, should be added to the productive labor items shown on the cost sheet in computing the cost of any tool.

#### Non-productive labor.

##### Items Included.

1. Foreman and department clerks.
2. Engineers and firemen.
3. Oilers and elevator men.
4. Watchmen and gate keepers.
5. Teamsters and helpers, except one-half for shipping.
6. Roustabouts.
7. Expert work, viz., analysis of paint, iron, etc.
8. Lining furnaces.

9. Changing dies (unless charged in productive labor).
10. Repairs on returned implements.
11. Changing over implements.
12. Experimental work.
13. Extra labor on Fair goods.
14. Cost of taking inventory.
15. Miscellaneous (any other items not specified above which are non-productive labor).
16. Labor on maintenance of plant:
  - Repairs on tools and machinery.
  - Repairs on fixtures.
  - Repairs to plant.
  - Repairs to patterns.
17. Shipping cost (unless included in Sales and Administrative Expenses).

*General Considerations.*

The total of the items above in dollars and cents should be reduced to a percentage of the total productive labor. Having obtained this percentage it is easy to obtain the non-productive labor cost for any article by applying the percentage found to the productive labor on the article.

*Illustration.*

If the productive labor of any article amounts to \$1.00 plus the loss of 5% as illustrated under the subject of productive labor, thus making the actual productive labor \$1.05 and the non-productive labor when reduced to a percentage amounts to 80%, 84c would be the amount to add to the productive labor, making the total labor on the article \$1.89.

*Method of Apportioning Labor.*

In order to carry out the foregoing instructions, a record should be kept of the distribution of labor, separating the productive from the non-productive labor as well as from items chargeable to other accounts.

This can be accomplished by providing each foreman with a printed list showing the productive labor items and the non-productive labor items separately as indicated above, and assigning to each item an account number.

The foreman should then mark on the time sheet the number of the account on which the labor is expended. These time slips can be checked in the office with the pay roll and the percentages for productive and non-productive labor ascertained.

As the plan herein set forth contemplates the determination of a base price delivered in the warehouse, the shipping expense should be figured as part of the Sales and Administrative Expenses. In some cases, this may not be convenient or desirable, and if so, the shipping expense may be included in Non-Productive Labor, in which case the prices would be figured f. o. b. cars or depot.

OTHER MANUFACTURING EXPENSES.

This division includes those expenses which are incident to the operation of the factory but which can not be associated directly with

a particular article under manufacture. It is necessary, therefore, to obtain the expense on an individual article in a roundabout way, and this is best accomplished by determining the amount of such expense and finding the percentage which it is of the labor, productive and non-productive, expended on the article. This can be done by taking the expense over an interval of time, a year for example, and obtaining the figure.

*Items Included.*

1. Fuel under boilers and all other fuels except for foundry.
2. Water costs, if any.
3. General supplies, including files, emery, glue, emery wheels, twist drills, reamers, machinery oilers, borax, tempering solutions, etc.
4. Insurance, fire, accident, etc. (proportion chargeable to manufacturing).
5. Taxes—real estate and personal (proportion chargeable to manufacturing).
6. Interest on borrowed money (proportion chargeable to manufacturing).
7. Depreciation.
8. Overhead, including salaries of superintendent, purchasing agent, timekeepers, clerks, etc.
9. Barn account (one-half chargeable to shipping).
10. Factory stationery and supplies.
11. Light.
12. Donations chargeable to manufacturing.
13. Rent (if any).
14. Miscellaneous.

*General Considerations.*

In connection with the inclusion of interest, it is recognized that there are many who oppose the application of interest as an item of manufacturing cost. Others, however, among the highest authorities, for example—Cole, Chase, Nicholson, etc.—advocate this method of accounting, and it is believed that it is only a question of time when it will become universal. It is not a difficult matter if desired to apply the interest cost actually where it belongs. The book charges may be ignored and the interest applied against each item of cost, including carrying charges on material and interest on plant, up to the point where the goods are delivered in the warehouse, and the selling interest cost (shown below) computed from the average date of delivery in the warehouse to average date of payment.

Others prefer to charge to cost, a moderate rate of interest on the capital, surplus, and undivided profits invested in the plant.

The total of the items above in dollars and cents should be reduced to a percentage of the total productive and non-productive labor paid during the year (less such items as are included in manufacturing expense) it is then possible, having obtained the productive and non-productive labor costs as above, to find the other manufacturing expense cost for any article by applying the percentage obtained to the productive and non-productive labor costs.

*Illustration.*

If the total productive labor on a given article amounts to \$1.05, as shown above, and likewise the non-productive labor is 84c, the

total labor cost being \$1.89, this is the figure to which the percentage for other manufacturing expense should be applied. Assuming that this percentage is 50%, then 94½c will be the "other manufacturing expense" cost on this particular article.

#### SALES AND ADMINISTRATIVE EXPENSE.

Sales and Administrative expenses are considered under two general headings—expense for distribution to jobbers and expense for distribution to retail dealers.

The method of determination of the cost for these two classes of distribution is shown separately below.

#### DISTRIBUTION TO JOBBER.

##### *Items Included.*

1. Shipping cost (unless included in Non-Productive Labor).
2. Salaries and traveling expense of officers and others such as travelers or experts delegated to look after the jobbing trade.
3. Proportion of office salaries other than above (chargeable to the jobbing trade).
4. Proportion of interest, insurance, taxes and advertising, including wood cuts, electrotypes, postage, etc. (chargeable to jobbing trade).
5. Allowances:
  - (a) For defective repairs.
  - (b) For blacksmith work.
  - (c) Other allowances from invoice price.
6. All other items not mentioned above.

##### *General Considerations.*

As stated under the heading—Other Manufacturing Expenses, interest on borrowed money or on the goods at cost prices, should be included and can be figured from the average date of delivery in the warehouse to average date of payment.

The total of the items enumerated above figured in dollars and cents should be reduced to a percentage of the annual sales after deducting cash discounts, sales freight, returned goods, sales and administrative expense and profit.

##### *Illustration.*

Total annual sales of a factory less cash discount, sales freight, returned goods and other items leaving the net gross cost.....	\$100, 000
Sales and Administrative expense applicable to the jobbing trade, one-fourth of total of \$15,000 or.....	\$3, 750
Sales and Administrative expense applicable to the retail trade, three-fourths of total of \$15,000 or.....	11, 250
	15, 000
Profit estimated at.....	10, 000
	75, 000
Net cost F. O. B. cars factory.....	75, 000

Assume that one-half of this amount, or \$37,500, is distributed to the jobbing trade. The Sales and Administrative Expense, chargeable to jobbing trade is \$3,750.00, and the proper percentage to apply in determining the cost of any article is 10%.

## DISTRIBUTION TO RETAIL DEALERS.

*Items Included.*

1. Shipping cost (unless included in Non-Productive Labor).
2. Salaries and traveling expense of officers, travelers, etc., as above.
3. The office salaries, including all not chargeable to manufacturing and jobbing expense.
4. Transfer expense.
5. Loss on notes and accounts.
6. Proportion of interest, insurance, taxes and advertising, including wood cuts, electrotypes, chargeable to retail sales.
7. General office expense, postage, etc.
8. Fair or other exhibition expense.
9. General expert work on implements.
10. Exchange on customers' checks and other collection expense.
11. Allowances:
  - (a) For defective repairs.
  - (b) For blacksmith work.
  - (c) Other allowances from invoice price.
12. All other items not mentioned above.

*Illustration.*

Assuming the same factory as was illustrated in the paragraph preceding, the net cost of goods distributed through the retail trade is \$37,500. Assume also that the sum of the items of sales and administrative expense chargeable to the retail trade is \$11,250, then the percentage of the sales and administrative expense for the retail trade to the total costs of goods to the retail trade is 30%. This percentage then is to be used in determining the sale and administrative cost on an individual article, which is to be distributed through the retail trade.

## TOTAL COST.

*Illustration.**Cost of 60-Tooth lever harrow.*

Material.....	\$4. 50
Productive labor—50 cents, add 5%.....	. 525
Non-productive labor 80% of productive labor.....	. 42
Other manufacturing expense 50% of productive and non-productive labor.....	. 4725
<b>Total cost f. o. b. warehouse.....</b>	<b>5. 9175</b>

*Distribution to jobber.*

Cost f. o. b. warehouse.....	\$5. 9175
Sales and administrative expense 10% of above cost.....	. 5917
<b>Total cost f. o. b. cars factory.....</b>	<b>6. 5092</b>

*Distribution to retail dealer.*

Cost f. o. b. warehouse.....	\$5. 9175
Sales and administrative expense 30% of above cost.....	1. 7752
<b>Total cost f. o. b. factory.....</b>	<b>7. 6927</b>

## GOODS SOLD DELIVERED.

If goods are sold delivered, add the cost of their freight.

## SYSTEM OF ACCOUNTS.

For use in connection with the foregoing Cost System the following general system of accounts is suggested:

Account No. 1. To include all materials used in the construction of implements. It may be deemed best to have separate accounts for pig iron, steel, lumber, paints and varnishes, etc.

Account No. 2. To include all Manufacturing Expense materials, viz.: Steam, coal, machinery oils and all other items not computed directly in the cost of implements.

Account No. 3. Productive Labor for all departments, except Foundry, as reported on daily time cards.

Account No. 4. Non-Productive Labor, including foremen, factory clerks, laborers, etc., as reported on daily time cards except Foundry and Shipping Department.

Account No. 5. Shippers and all labor handling finished goods at warehouse, loading cars, etc., as reported on daily time cards.

Separate accounts should be kept for the Foundry and these will be described under the subject—Cost System for Foundry—which follows.

## FACTORY FORMS.

The following represent a few forms necessary and applicable to any implement factory:

1. Workmen's Daily Time Card, showing name, date, kind and quantity of work, also prices paid for day or piece work. A complete record of all workmen's day wages and piece work wages, approved by the Superintendent, should be on file with the time-keeper to check up the workman's daily time cards.

2. Specifications. A full set of specifications showing every item used in the construction of each machine should be made up and can be used for ordering material and for recording material and labor prices.

3. Order Forms.—Loose Leaf or Cards. For all orders on factory, including complete implements and parts, dies, patterns, and repairs of all kinds. Written order should be used in every case.

4. Material Records.—Loose Leaf or Book. For keeping record of each and all kinds of material, including steel of all kinds and sizes, malleables, lumber, bolts, etc. This book should represent a record of all purchase orders and factory orders showing the waste or loss in addition.

5. Production Form. For the use of all departments to report their daily production.

## COST SYSTEM FOR FOUNDRY, MAKING GREY IRON CASTINGS.

It is recommended that a foundry be operated independent of the other branches of the business.

All of the principal materials are purchased by weight, the finished product is computed by weight and for these reasons the Costs should be easily obtained.

#### SYSTEM OF ACCOUNTS.

A system of accounts is first necessary and the following are suggested:

##### 1. *Materials Account.*

This account is to be charged with all productive materials including pig iron, scrap iron, coke for cupolas, etc.

Credit this account with materials as used. A daily record should be kept of all materials. This account should correspond with inventory taken at the end of the fiscal year.

##### 2. *Manufacturing Account.*

This account should be charged with all materials received from the material account and all productive labor including moulders' and core makers' wages.

Credit this account with all good castings monthly and at a price based on costs.

This account should be closed into the profit and loss account at the end of the fiscal year.

##### 3. *Other Manufacturing Expense Account.*

This account should be charged as follows:

**Expense Materials:** Sands of all kinds, facings, rosin, machinery oils, steam coal, fuel for core oven, etc.

**Non-Productive Labor:** Foremen, clerks, laborers, grinders, chip-pers, furnacemen, engineers, firemen, etc.

This account should be charged with the rent of the building, or interest on plant, power (if furnished from main power plant), and an amount as may be agreed upon for Administrative Expense, including taxes, insurance, depreciation, etc. Equipment subject to especial or excessive depreciation such as flasks and follow boards should be taken into account.

This account should be closed into Manufacturing Account at the end of the fiscal year.

#### *General Considerations.*

The finished castings should be carefully inspected, weighed and charged to the same account as malleable castings, steel and other like materials.

This set of accounts should be charged with all expense of operating the foundry so as to determine the exact Cost of its finished product.

The total debit balance of No. 2 and No. 3 Accounts for any calendar month or year, divided by the total good castings produced during the same period, should give the net Cost per pound.

This system can be enlarged upon by adding extra Accounts to show the Cost of the Core Department and Milling or Cleaning Department.

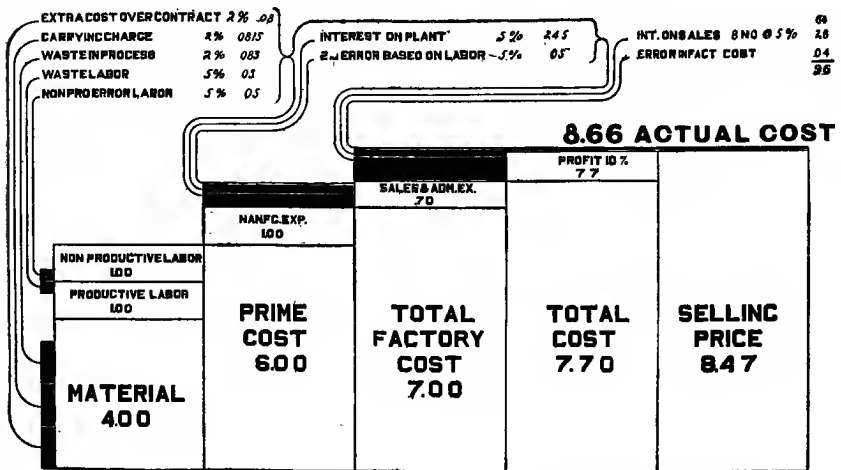
In a foundry making both light and heavy castings it is recommended that a record be kept for each class of castings, as the light castings will cost considerably more than the heavy castings—for example—in an implement factory manufacturing light castings for corn planters and heavy castings for hay presses, it is quite likely that the corn planter castings will cost as much as \$20.00 per net ton more than the heavy castings.

ERRORS TO BE AVOIDED IN THE USE OF A COST SYSTEM.

In the application of any cost system it is easy to overlook many important items which may appear small and perhaps negligible, but which, when combined, have a pronounced and unexpected effect on the total cost of an article.

It is the purpose of this chapter to bring out some of the common errors appearing in the usual methods of figuring costs and explaining how and why they should be avoided.

In the preceding pages an effort has been made to explain every step carefully, but perhaps a comparison of the commonly used methods with the principles advocated in this system will be of assistance in arriving at true costs.



The chart opposite [above] has been prepared by Mr. G. W. Crampton, and shows graphically the various items of cost which contribute to the total cost and are hence involved in determining the selling price of any article. The effect of the various common omissions and errors which will be discussed, is also shown.

It will be seen that the elements of the total cost are the same as those considered in previous pages. The first element is Material, the next Labor (productive and non-productive); the sum of these two costs is known as the Prime Cost. The Prime Cost with Other Manufacturing Expenses added gives Total Factory Cost. The Total Cost includes in addition the Sales and Administrative Expense; to determine the Selling Price an amount representing profit is added to Total Cost.

For the purposes of illustration, actual figures will be used, and the implement under consideration is a tillage implement.



The cost of material is taken at \$4.00, the Labor cost \$2.00, of which \$1.00 is productive labor cost, and a like amount non-productive labor cost. The Prime Cost is, therefore, \$6.00. The Other Manufacturing Expense amounts to \$1.00 as commonly figured, the Sales and Administrative Expense 70c. The Total Factory Cost is then \$7.00 and the Total Cost is \$7.70, with a profit estimated at 10% on the cost, the Selling Price would be \$8.47.

It will also be assumed that in determination of the cost as commonly figured, i. e.,—the method which gives a selling price of \$8.47, there have been no errors in figuring percentages, and that the items of cost as displayed by the books have been properly included.

Consider now some of the omissions and errors which caused this figured selling price of \$8.47 to be less actually than the real total cost. These omissions and errors will be considered in connection with the various elements making up the Total Cost.

#### MATERIALS.

It is assumed that the concern making this article puts its products in the warehouse on an average date of February 15th. In figuring the costs of material it has been taken at invoice price. It did not come to the factory, however, on the day it was used. Perhaps there was a large supply of the material carried over from one season to another. In fact it is safe to say that in order to place goods in the warehouse February 15th, the material will have to be carried four or five months on the average. *Hence it will be necessary to make a carrying charge on the material, and this will be figured arbitrarily at 2%.*

Very likely some of the material used includes material bought from store, material on which extra freight had to be paid, or, on which there has been a bonus price and material purchased at a price in excess of contract. *This cost of material over contract prices is placed arbitrarily at 2%, and it is believed that with the conditions existing during the year 1912, that this is very conservative.*

It is necessary, also, to include in the Materials Cost, *the material wasted in manufacture and this loss is taken arbitrarily at 2%.* This, of course, would be entirely too low on wood work for example, but for the purpose of this illustration it is better to underestimate than to overestimate.

From the chart it will be seen that the losses from these three sources, namely—carrying charges, extra costs over contract, wastes in process—*increase the material cost a total of \$0.2445.*

#### LABOR.

One of the commonest omissions is labor on waste material. Again it has been forgotten, perhaps, that each piece manufactured is not turned out continuously throughout the year, but sometimes quick changes have to be made and day work prices have to be paid rather than piece work prices. *It will be assumed that these omissions aggregate 5%.*

Having figured the productive labor cost too low and *the non-productive cost being based on the productive, a double error is made so that it is necessary to add a similar percentage—5% to non-pro-*

*ductive labor*, even if no error is made in the computation of non-productive labor itself.

#### OTHER MANUFACTURING EXPENSE.

Other Manufacturing Expense is based on the total labor, and on account of the errors in the labor cost, the Other Manufacturing Expense cost is too low.

In the figures used, the Other Manufacturing Expense was 50% of the total labor expended. After making corrections, total labor is found to be \$2.10 instead of \$2.00; hence the Other Manufacturing Expense should be \$1.05 or an addition of five cents.

However, there is another item which very likely has been neglected, and that is *interest on the plant*. As explained previously, many cost accountants do not take this item into consideration, but if it is not done the selling price will be too low, and its omission will contribute to an actual loss on the article when it is believed that it is being made at a very fair profit.

Professor Wm. Morse Cole of Harvard University, an authority on the subject, says:

I believe accountants are coming more and more largely to favor the treatment of interest on plant as cost; at least the number taking this side is coming to my attention rather frequently. The main argument can be stated in a few words; if interest is disregarded heavy costs for equipment may be incurred to make a slight saving in labor and the reduction in labor cost will show in the annual figures; whereas the cost (in interest) of the equipment does not show; and thus the investment in labor saving machinery may appear as a great saving, whereas in reality (due to the interest on investment) it actually has caused a loss.

*A 5% interest charge on the plant will be figured*, and in order to arrive at a ready working figure it is assumed that each \$1.00 of plant will produce \$1.50 in goods at cost prices. This figure is conservative. Figuring in this way, an addition of \$0.245 should be added to the cost corrected for errors in basing on labor.

*The total error in Other Manufacturing Expense amounts then to \$0.295.*

#### SALES AND ADMINISTRATIVE EXPENSE.

This was figured on a basis of 10% of the total Factory Cost but on account of the error in the factory costs already explained, there is an underestimate of 4c in Sales and Administrative Expense.

*Interest on sales has probably been neglected.* It must be admitted that the concern has been out the use of its money from the average date of delivery of goods in warehouse to average date on which payment is received. It will be assumed that the average time from date of receipt in warehouse to payment is eight months, although in many lines this period is much greater. *Eight months interest at 5% should then be added to the cost of the goods and this adds 28c.*

#### COMPARISON OF NEW TOTAL COST WITH SELLING PRICE ORIGINALLY FIGURED.

From the chart it will be seen that on account of the accumulated errors the refigured Total Cost is actually in excess of the original selling price, which allowed what was supposed to be a reasonable amount of profit.

Moreover, the above explanation does not include or bring out all oversights and errors, for example the smaller amounts of interest on the pay roll from the average date of payment to the average date of delivery of goods in warehouse. The same is of course true of sums advanced in like manner on Other Manufacturing Expense, and on Sales and Administrative Expense. Likewise, if goods are carried over one season or the terms of payment are extended, the items of interest on sales will be materially increased.

Every concern has expenses peculiar to the operation of its plant. Care should be taken to see that every item of expense is included, and the following illustrative questions may well be asked as suggestive of some of the items which are commonly omitted:

1. Are castings figured at the price which the foundry cost shows or at a price which contemplates loss through breakage, through riveting, in handling, or in any other ways?

2. Are malleable castings figured at the invoice price as rendered by the malleable company, or at the cost with shop loss added? If figured at invoice price are malleables lost in working the goods through the shop considered and charged in with the cost?

3. Are all materials figured at contract prices regardless of length of time carried and additional bonus or store price paid? Are allowances made for waste of materials and materials wasted and materials scrapped at the end of the season as obsolete?

4. Is lumber figured green or dry? Is the waste considered first in the pile, second in the wood shop and third in the process of manufacture?

5. Is all labor considered, i. e., direct, wasted direct and indirect? Is not Other Manufacturing Expense figured too low by leaving out interest on plant, depreciation, belting, twist drills and like items?

6. Are all Sales and Administrative expense or items shown in the System herein described considered and figured on the proper basis?

#### CONCLUSION.

Any Cost System in its application must be developed to meet the peculiar conditions of each individual concern. For this reason the System outlined is intended simply to serve as a foundation on which can be built a stable cost structure.

All of the principles given are believed to be adapted to the requirements imposed by any manufacturing concern, but each step must be enlarged upon and handled in a manner that will give the most accurate and illuminating results.

Cost study and scientific management are in these days being given close attention, and there are many comprehensive methods advocated. If the foregoing system is used as a basis, however, it may be elaborated upon to any extent desired. Each step taken should be subject to a careful analysis in order that the accuracy of the results may be unquestioned.

It is hoped that the system may prove of value to all members of the National Implement & Vehicle Association, but if it serves only in a small degree to increase the knowledge of costs of manufacture and distribution, it will have achieved its mission.

## EXHIBIT 30.

## LOCATION AND NUMBER OF MEMBERS OF DEALERS' LOCAL CLUBS ORGANIZED FROM JANUARY 29, 1913, TO MAY 29, 1914.

(List furnished by the National Implement and Vehicle Association.)

[NOTE BY BUREAU.—The list includes 82 clubs having a membership of 1,055. It is, of course, understood that clubs were organized both before and after the period here covered. On May 15, 1914, the secretary of the National Implement and Vehicle Association reported that he had records of 104 clubs having a total membership of 1,148. The membership of each club includes dealers located at neighboring towns or cities as well as those doing business at the towns or cities mentioned in the list. (See p. 232.)]

	Members.
Colorado Retail Hardware & Implement Dealers' Association :	
Western Slope Hardware & Implement Club, Delta, Colo-----	24
Illinois Retail Implement Dealers' Association :	
Local Club No. 1, Jacksonville, Ill-----	16
Macon County Implement Dealers' Club, Decatur, Ill-----	2
Iowa Implement Dealers' Association :	
Kossuth Club No. 6, Algona, Iowa-----	12
Credit Club No. 7, Hampton, Iowa-----	15
Tri-County Club No. 8, Iowa City, Iowa-----	11
Mahaska County Implement Club No. 9, Oskaloosa, Iowa-----	10
Fayette County Implement Industrial Club No. 1, Donnan Junction, Iowa-----	10
Linn & Benton County Implement Dealers' Club, Cedar Rapids, Iowa-----	15
Palo Alto County Implement Dealers' Club No. 12, Emmetsburg, Iowa-----	11
Cedar Valley Local Club No. 13, Waterloo, Iowa-----	16
Jefferson County Hardware, Implement & Vehicle Club No. 14, Fair- field, Iowa-----	10
Ottumwa Local Club No. 15, Ottumwa, Iowa-----	13
Michigan Retail Implement & Vehicle Dealers' Association :	
Implement Dealers' Club of South Michigan, Adrian, Mich-----	14
Implement & Vehicle Dealers' Association of Grand Rapids, Grand Rapids, Mich-----	10
Wayne-Washtenaw Retail Implement & Vehicle Dealers' Association, Wayne, Mich-----	11
Eastern Retail Implement & Vehicle Dealers' Association :	
Local Club No. 1, Salem, N. J-----	10
Local Club No. 2, York, Pa-----	10
Local Club No. 3, Newtown, Pa-----	12
Local Club No. 4, Allentown, Pa-----	12
Retail Implement Dealers' Association of South Dakota, Southwestern Minnesota & Northwestern Iowa :	
Local Club No. 1, Centerville, S. Dak-----	12
Western Retail Implement, Vehicle & Hardware Association :	
Local Club No. 48, Pleasanton, Kans-----	12
Local Club No. 49, Fort Scott, Kans-----	8
Local Club No. 51, Lebanon, Mo-----	11
Local Club No. 52, Coffeyville, Kans-----	13
Local Club No. 54, Ellsworth, Kans-----	10
Local Club No. 55, Alva, Okla-----	14
Local Club No. 56, Phillipsburg, Kans-----	11
Local Club No. 57, Lincoln, Kans-----	10
Local Club No. 58, McPherson, Kans-----	10
Local Club No. 59, Trenton, Mo-----	10
Local Club No. 60, Stafford, Kans-----	16
Local Club No. 61, Holton, Kans-----	11
Local Club No. 62, Ponca City, Okla-----	16
Linn County District Association No. 63, Brookfield, Mo-----	16
Southwest Missouri Retail Implement, Vehicle & Hardware Dealers' Association, Carthage, Mo-----	18

Wisconsin Retail Implement & Vehicle Dealers' Association :	Members.
Implement Dealers' Social Club, Milwaukee, Wis.....	35
Western Wisconsin Club No. 10, La Crosse, Wis.....	12
Columbia County Retail Implement Dealers' Club, Portage, Wis.....	14
Fox River Valley Implement & Vehicle Club, Green Bay, Wis.....	12
<b>Tri-State Vehicle &amp; Implement Dealers' Association :</b>	
Local Club No. 7, Goshen, Ind.....	10
Local Club No. 8, Princeton, Ind.....	10
Local Club No. 9, Sullivan, Ind.....	11
Local Club No. 10, Martinsville, Ind.....	10
Local Club No. 11, Greensburg, Ind.....	11
Local Club No. 12, Noblesville, Ind.....	11
Local Club No. 13, Freemont, Ohio.....	12
Local Club No. 14, Marion, Ind.....	20
Local Club No. 15, Columbus, Ind.....	12
Local Club No. 16, Wabash, Ind.....	12
Local Club No. 19, Rockport, Ind.....	11
Tri-State Local No. 20, Oak Harbor, Ohio.....	16
Tri-State Local Club No. 21, Tiffin, Ohio.....	13
Tri-State Local Club No. 22, Bowling Green, Ohio.....	11
Tri-State Local Club No. 23, Upper Sandusky, Ohio.....	12
<b>Mid-West Retail Implement Dealers' Association :</b>	
Cedar County Local Implement Club, Laurel, Nebr.....	10
North Platte Valley Implement Dealers' Association, Bridgeport, Nebr.....	10
Local Club No. 1, Osceola, Nebr.....	14
Local Club No. 8, Omaha, Nebr.....	10
Southwestern Iowa Implement Dealers' Club, Red Oak, Iowa.....	13
Fillmore County (Nebr.) Local Implement Club, Geneva, Nebr.....	11
<b>Minnesota Retail Implement Dealers' Association :</b>	
Local Club No. 4, Mankato, Minn.....	14
Local Club No. 5, Preston, Minn.....	14
Local Club No. 6, Rochester, Minn.....	17
Local Club No. 7, Windom, Minn.....	13
Local Club No. 8, Detroit, Minn.....	14
Local Club No. 9, Sauk Center, Minn.....	10
Local Club No. 10, Faribault, Minn.....	13
Local Club No. 11, Crookston, Minn.....	17
Local Club No. 12, Breckenridge, Minn.....	14
Local Club No. 13, New Ulm, Minn.....	10
Local Club No. 14, Thief River Falls, Minn.....	11
Local Club No. 15, Glenwood, Minn.....	12
Local Club No. 16, Elbow Lake, Minn.....	10
Local Club No. 17, Henning, Minn.....	12
Local Club No. 18, Blue Earth, Minn.....	12
Local Club No. 19, Bird Island, Minn.....	11
Local Club No. 20, Albert Lea, Minn.....	16
Local Club No. 21, Marshall, Minn.....	14
Local Club No. 22, Luverne, Minn.....	20
Mower County Implement & Hardware Club, No. 23, Austin, Minn.....	13
Local Club No. 24, Hinckley, Minn.....	26

## EXHIBIT 31.

**THE IMPLEMENT DEALER AND HIS PROBLEMS—ADDRESS BY THE SECRETARY OF THE NATIONAL FEDERATION OF IMPLEMENT AND VEHICLE DEALERS' ASSOCIATIONS BEFORE THE MEMBERS OF THE NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION, OCTOBER 22, 1914.<sup>1</sup>**

When your worthy secretary and general manager extended to me the invitation to address this distinguished body he left open no loopholes, no avenues of escape. He was particular, however, to caution

<sup>1</sup> As reported in the Farm Implement News, October 22, 1914, pp. 28e-28h.

me that you did not want any oratory, and for fear that I might inflict a flight or two upon you, I have safeguarded the situation by reducing what I have to say to manuscript. This will be reassuring to you.

I am not unmindful of the importance and the magnitude of the task which your program committee has set, but my great interest in this work of improving conditions in the implement business prompted me to undertake it, and so, gentlemen, I am here trying to fit and fill the place assigned.

I had the honor and privilege of addressing one of your conventions when your association was in its infancy and have attended most of your conventions since, keeping in as close touch as possible with your work. I have come to you on behalf of the dealers for many favors and have a full appreciation of your many courtesies and for the consideration given to requests.

Problems are always difficult of right solution, and those confronting us today are gigantic ones. We need all our energy and courage in the effort to find the light demanded by all branches of the trade connected with our linked interests. We must wear the yoke with honest purpose and determination to bear our full part of its obligations.

The problem most difficult to settle fully is how to make a fair profit in the business of retailing implements. The average dealer allows his mind to be agitated by the question "Will my competitor maintain prices which permit a margin of profit over and above the cost of doing business?" Only the dealer who is ever on the alert can hope for success. There is too much lack of confidence, and confidence is the highest standard of trade. Without it there is no true fellowship in trade or in life. Honest methods make safe business and real men. That dollar made by false dealing is high in price and its possession too dear for any man to own it, for he has sacrificed too much of his better self to make it. In the business problem, or social problem, there is only one code, that of upright-ness, courtesy, truth.

Since the organization of dealers' associations and of your association, many changes have taken place in the relations between manufacturer and dealer. But with your experience and study you have come to look upon the duties which you owe to your customers from a broader viewpoint. You have a fuller realization of the mutuality of interests which must obtain if the largest measure of success for all is to be realized. Unquestionably good results have come from your movement to raise the standard of the dealers, sufficient at least to encourage you to continue your co-operation for bringing about more helpful relations in all departments of our business.

Our associations have gone on record as characterizing the co-operation which you are giving us in our efforts to improve conditions as the greatest achievement we have to our credit, and on behalf of those whom I have the honor to represent I express our deep appreciation of your good will.

You are so familiar with the resolutions adopted by the conventions of our associations and by our federation, which are supposed to summarize the problems which confront the dealer, that you will perhaps be most interested in an outline of the work our associations have in hand which is of mutual interest and a brief mention of matters deemed of paramount importance.

## EDUCATIONAL METHODS NEEDED.

Ever present among these is the necessity of pursuing continually educational methods. We cannot disguise the fact that there is an element engaged in our business that is lacking in knowledge of modern mercantile processes. This is said without disparagement to this class, for it is recruited from walks of life that have made a study of business methods unnecessary, in fact impossible. In most lines of merchandising those engaged in it have grown up in the business. They have been educated to it, not only in the particular line in which they are engaged, but in business methods in general. The reverse is true with too large a percentage of those engaged in the implement line. They are not lacking in intelligence, but need suggestions concerning those methods which make for success.

The assistance you have rendered in educational and local club work is evidence that you recognize the correctness of the foregoing statement.

There are those who think that our associations are organized for the sole purpose of compelling other branches of the trade to respect our rights. If any here present have had this impression I need but refer you to the proceedings of our conventions. These show clearly that we are trying as earnestly to remedy the troubles for which we are responsible as we are to correct those which we lay at the door of the manufacturer. We are studying the business and trying in every way possible to stop the leaks.

We are putting forth an honest effort to make the relations between the manufacturer and dealer more satisfactory by advocating and urging the discontinuance of the practices of which you complain and which have been brought to our attention by your committee on dealers' associations. I refer particularly to:

Unjust cancellation of orders.

Deducting cash discounts after bills are overdue.

Delaying settlements.

Delaying reports of damage to shipments.

Returning goods without order or instructions.

Giving free repairs without regard to conditions of warranty.

Making undue demands for expert help, and other matters of lesser importance.

We are urging upon members the necessity of giving the best of service to their customers and are continually suggesting ways in which this can be done. We realize that it is one of the necessities if we expect to keep the trade in the right channel.

We are recommending that they treat your travelers courteously; first, because it is right; second, because they are good fellows and can assist the dealers in many ways; and, third, because discourteous treatment of the traveler is too apt to result in a sample agency with the corner grocery or blacksmith.

We are advocating that the rule of requiring settlements on delivery be adhered to and that this subject be made a topic for discussion at club meetings.

In short, we are doing everything we can to help build up a better class of merchants and in this work you are vitally interested. But, gentlemen, we must have all of the encouragement you can give us. We can not control our members in these matters, but the efforts we are putting forth have already resulted in a betterment of conditions.

The percentage of dealers who have retired from the implement business the past year, taking the membership of several large associations as a basis, shows a very considerable reduction over former years, notwithstanding the business conditions in much of the territory have been far from satisfactory.

#### STANDARDIZATION.

Our associations have gone upon record as favoring standardization. Dealers while willing to admit that they are in a large measure responsible for present conditions by reason of demands made for goods to meet the whims of customers, have long realized the disadvantage of having to carry large assortments which should not be necessary. The general movement looking to a reduction of variety and the elimination of many unnecessary sizes which has been started, as a result of our conferences will receive the support of the dealers. Sentiment is all in favor of a reform, but we were powerless to take the initiative. We can only supplement your efforts by assisting in determining what sizes shall be considered as standard and urging the use of same. Dealers have no recommendations to make as to where the reforms should commence, whether on wagons or disk harrows, buggies or plows. This is detail which will be worked out by the committees of our respective organizations to whom the subject has been referred. The prospect of ultimate success shows the advantage of co-operation, for there are but few subjects of greater mutual interest.

#### DEALERS' OPENINGS AND SPECIAL SALES DAYS.

In a very commendable effort to reduce the cost of distribution your officials and sales managers' department have been discouraging the practice which has been gaining popularity among dealers of holding openings and special sales days. You are familiar with the methods employed by the dealers to draw crowds and the inducements offered to sell the goods, for you are expected, in most cases at least, to contribute to the expense. Hence it is unnecessary to dwell upon that phase of the question.

For two years past I have endeavored to ascertain the prevailing sentiment among experienced dealers of the profitableness of these openings and find that it is about evenly divided. Perhaps those who are satisfied with their efforts have not analyzed the matter thoroughly and have not made a careful estimate to ascertain if after all the extra sales, those which would not have been made during the season anyhow, really justified the extra expense. However, it is difficult to convince a dealer who succeeds in selling between \$5,000 and \$6,000 worth of goods in a three-days' special sale that all his efforts have profited him nothing. In your associations, as in dealers' associations, inconsistency of members is frequently apparent, and without referring to our own shortcomings, which touch too tender a spot, the cold truth is that so long as some of your members encourage dealers' openings by promising the help of your special salesmen, giving special terms on sample goods, furnishing some article from your line to be given to the holder of the lucky ticket, and so long as your travelers, in order to make a



showing of volume, encourage the dealers to put on these sales with a 5 per cent special, free dinner, picture shows, brass bands, etc., just so long will be delayed that reduction in distribution expense which you hoped would come from your efforts for a discontinuance of this practice of the implement trade which has added so materially to the cost of doing business.

#### CO-OPERATION WITH FARMERS.

Dealers are beginning to see that there is something else in business besides buying and selling merchandise. They are commencing to take an interest in the resources of the country. They see that if they can induce the farmer to try advanced methods that will enable him to raise more wheat, corn and other grains, use greater care in the selection of seeds and in diversifying crops and conserve the resources of the farm heretofore gone to waste, they are building for the future of their own business. Many dealers are becoming interested and taking a leading part in the farmers' institutes, they study the farmer's problems and discuss them with him. This is in line with advanced thought and must be encouraged and it is a helpful sign that they are receiving from you just the inspiration they need. Let this good work go on. We pledge ourselves to do our part. This leads to a mention of the farm adviser.

#### FARM ADVISERS.

Considerable encouragement has been given to this movement both by the manufacturers and dealers. During the past year in an endeavor to learn the consensus of opinion of the dealers who have been interested in it, I found that in a majority of cases the results are satisfactory and that merchants and farmers are anxious to have the arrangement continued. In some localities the merchants are enthusiastic. There is one phase of this question, however, to which it may be well to call your attention—the temptation which comes to some of these gentlemen to advise co-operative buying. Many reports regarding this came in connection with the investigation made. You know of the efforts of the rural organization service of the Department of Agriculture to exploit the subject of co-operative buying of farm operating equipment. The farm advisers were among those urged to help in the consummation of the plans. In most cases the situation can be handled by the merchants who contribute to the farm adviser's support, but a word of caution would make them alert to the importance of the matter before it is too late.

We are interested in any movement that will make better business men of the vast army of implement dealers in this country. Our associations have been educational factors. The educational work you have done among our people has brought ample returns and has paid you better dividends than any investment you have made. The fact that there is a better class of business men conducting the implement business to-day than there was a few years ago proves the statement. You might say that there is room for improvement. There will ever be room for improvement, but you cannot afford, and we cannot afford, to relinquish the efforts we have been putting forth. The pamphlet—"A Few Facts About Agriculture"—issued by your

association will accomplish a good purpose and we will co-operate with you by urging our people to read it and carry out its suggestions. The agitation of the cost educational movement has wrought wonders. This and the local club work are responsible for the changed conditions.

#### LOCAL CLUBS.

The assistance you have given the local club movement can not be too strongly commended. We appreciate your financial help, but still more do we appreciate the moral support you are giving the movement. The fact that the manufacturers see in the local club a remedy for many troubles that prevent the business from showing good results has been an incentive to our members to try it. It can not be expected that every club organized will make a good showing, for sometimes mistakes are made in the selection of officials, but the improvement in many localities is little less than remarkable. We trust that we may have a continuance of your assistance. We hope you will instruct your traveling men to take an active interest in it. We want their influence and active help in building up sentiment in favor of the local club.

Our clubs are not organized for the purpose of agreeing upon a price schedule, but we do meet to study cost accounting, general conditions in the trade, credits, the advantage of settlements on delivery and hundreds of other things which suggest themselves to a body of business men. Some of our clubs arrange for addresses by attorneys upon the collection laws, garnishment laws, employers' liability and other important matters. You can have no conception of the splendid work these clubs are doing, unless you get out into the territory and personally attend the meetings. Just in proportion as this movement expands will conditions improve.

#### CROWDING TERRITORY.

One of the great problems we have to contend with is the competition we meet upon our own goods, caused by the placing of agencies too close together. A dealer may build up ever so good a reputation for giving good service, making good every promise made to customers, but when he undertakes to maintain a price commensurate with good, sound business principles, he will find himself losing out when a competitor in a nearby town offers the same goods for less money. We know perfectly well that a good salesman should talk the superior merits of his goods and he can make it win out against an article of another make which is offered at a lower price, but such argument does not count for much as against a lower price in a competitive town on the same goods. Cases which illustrate this come to almost daily attention. The manufacturer gets a greater volume of business in some cases, but the dealers wind up the season without profit and in the end such policy results disastrously to the manufacturer, for a line of goods on which a dealer can not make a profit soon becomes unpopular.

No dealer has a right to expect to control more territory than he can work successfully. On the other hand, when he builds up a good trade on the line by the liberal use of printer's ink, canvassing,

demonstrations and other ways, he is entitled to the undivided trade of the territory he is covering. There is nothing so discouraging as to find that after spending a large sum in advertising certain goods that the dealers in several of the surrounding towns are reaping the benefits of this, and it does not take a dealer long to decide what policy he should pursue. He simply concludes that he will get rid of the goods he has on hand at any sacrifice and seeks another line. As you probably know, my office is a sort of clearing house for all trade troubles that arise in about one-half of the States in the Union.

Recently my attention was called to a case in point and satisfactory evidence was presented to prove the statements made. A contract for a seasonable article was placed at a central point and at five surrounding towns. The popularity of the article made it possible to place these contracts so close together. A contract for another implement, made to do the same work, was placed at the central point only. The result of the season's business was that the combined sales of the six agencies were about the same as the sales made by the dealer who had the territory all his own and he was able to maintain a price which afforded a profit while the others could not. Every one of these dealers started the season with a good list of prospective buyers, but they became discouraged early. You might say that they needed a local club. Well, they were all members of such an organization, but a special salesman sent into the territory for the purpose of stimulating his six agents showed too great eagerness for volume and the dealers relinquished their efforts.

Gentlemen, is this a problem for the dealer or the manufacturer to settle?

Again, we feel that the dealer who is giving a line an honest representation should be the judge of the quantity of goods he needs for his trade and when he is dictated to and told that his trade requires so many goods, then the foundation is laid for trouble later. Dealers' warehouses are full of goods which were ordered against their better judgment simply because they were told that about so many goods had been assigned to their territory and that unless they would contract for them it would be necessary to curtail their territory and place the goods at competitive points.

#### FARM PAPER ADVERTISING.

We do not want you to gain a wrong impression of the dealers' attitude toward your policy of advertising in farm journals, many of which are most excellent mediums through which to reach the user of implements. We do think that your advertisements in such papers are in bad company and that a large percentage of the inquiries you receive are sent in with the expectation of being able to buy direct at a wholesale price. We are aware that well-advertised goods are easier to sell, but when the dealer sees your advertisements alongside of those of the mail order houses with their exaggerated statements he wonders if you are not helping to build sentiment in favor of mail order buying. I do not recall seeing many of your advertisements that contained the statement "Sold through dealers only." This always looks good to the dealer and if more would

adopt the plan of using it you would hear less complaint from dealers.

A few years ago vigorous protest was made by our federation because your advertisements appeared in journals whose editorials were teeming with advice to farmers to eliminate the middlemen and patronize the mail order houses exclusively. Many of your advertising managers, perhaps all of them, gave these journals to understand that such a policy was not approved, and we are pleased to say that of late the number of these editorials has been greatly lessened. This relieves the situation to a certain extent.

You doubtless are aware of the suggestions which have been made by dealers to the effect that the manufacturers would do well to use more space in local newspapers and less in farm journals, and a few are trying out the plan. We believe that the subject concerns our success.

Circulation is not the only element that enters into successful advertising—quality must be considered. In many respects this is the more important factor in publicity. How many of you have ever made a careful investigation of this element of quality?

In farm papers that build up their subscription lists by offering for 50 cents a three-years' subscription to a weekly journal, the published price of which is one dollar annually, and give 45 cents of that to the solicitor who represents that it goes to a benevolent fund—the element of quality is lacking. Particularly is this true when the efforts of the solicitor are confined to the towns and cities. A circulation of this character is all right for the mail order houses, but how much good does it do you?

#### ATTENTION TO INQUIRIES.

We do not want you to get the idea that dealers as a class fail to give attention to prospects which are referred to them and which are the results of your advertising campaign. My reason for mentioning this is that so many complaints from manufacturers have been heard. You must make allowances for the fact that a very large percentage of your inquiries in answer to farm paper advertisements come from farmers' sons who are making collections of catalogs, or who have a curiosity to know prices. I have found it necessary to make some inquiries from dealers in regard to this matter, for I felt that if our members are not doing their part their attention should be called to their short-comings. One member reported that he had had five inquiries for a certain article referred to him. He sent his canvasser to see every prospect, with the result that three out of the five were children, and the other two had not the slightest idea of buying. It cost him nearly \$20 to find this out. Another dealer reported having received the names of three prospective purchasers. He worked all at a considerable expense, only to find that the parties were simply curious to know what machines of that kind cost. Out of reports from about twenty dealers covering 30 or 40 prospects, all of which were worked, just two sales resulted. These statements are not made as an argument against your farm paper advertising, but as a defense of the dealers whom some of you accuse of not giving you a square deal on the inquiries you refer to them or when you show an honest

desire to distribute your goods through the proper channels. You doubtless have much cause for complaint, but take into account the above statements and do not censure the dealer too severely.

#### PROLIFIC CAUSE OF FAILURES.

The most prolific cause of failures among dealers engaged in the implement business is the fact that they do not maintain prices which afford a fair profit. The dealers who have been injured by this kind of competition feel that the traveler can encourage his customers, and be of material assistance to them, and we contend that the policy of the dealer in disposing of your goods should be a potent factor in determining his credit rating. It surely is evidence of his ability to pay for the goods he buys from you. The dealer who so far forgets the fundamental principles of business that he fails to provide for his overhead expenses when pricing his goods, is not a good credit risk, to say nothing of the hazard to a manufacturer's business. The latter sees his line lose popularity in a community simply because a price has been established which precludes all possibility of making any money on it. The cost educational work is having a good effect, but the changes are taking place so rapidly that we need the aid of every lawful influence that can be brought to bear for relief of the situation. I am firm in the conviction that you should know whether or not the prices at which your customers are selling your goods are netting them a fair profit.

#### PROTECTION OF DEALERS.

What the dealer needs more than anything else is protection. You have helped him over the rough places; you have been lenient and have given him liberal terms—too liberal sometimes for his own good—but what he needs is to be given the retail trade unmolested. This is the main plea I have to make to you at this time. But you say: "Not guilty, my factory's policy is to protect the trade to the fullest extent." And you are sincere in making the assertion, but have you ever taken the pains to learn if your policy is being carried out to the letter? Before me are the officials and the sales managers of the great manufacturing concerns that compose the membership of this association. You are not the men who make the direct sales to our customers—you rarely ever hear of them. But you may have employes who, in their eagerness to make a record, will assume that you are entitled to your share of the trade and that if the dealer will not handle your line they are privileged to get the business as best they can. We congratulate ourselves that our associations have brought this matter to your attention in such a way that a change for the better has taken place, but there is still room for improvement.

Subterfuges of all kinds are resorted to to buy direct to save the dealer's meager profit. Firm names are assumed; letterheads are printed; carloads of goods are ordered for future delivery, and a wagon, plow or some other article is ordered out at once, and as soon as it is received the carload order is canceled.

Of course, all of the direct sales are made because the goods are shop worn or out of date; or, perhaps the customer was listed in the commercial agency books as "G. S." and you took it for granted

that a general store stock included implements; perhaps the customer had some thought of engaging in the implement business and wanted a plow or walking cultivator and if he liked it well enough he might buy the line when he got ready to trade his farm for a stock of implements, and, wishing to place him under obligations, the goods were sold to him at a net wholesale price. Again, perhaps the deal was a highly competitive one, and if you had not made it some one else would.

You will say the picture is overdrawn, but it is not. Correspondence is on file in the office of the secretary of any dealers' association to warrant every statement made. I know cases, gentlemen, where shipments of a neighborhood's requirements have been made to one man and when dealers have called attention to it the defense has been set up that the customer carried a stock and had a place of business and a good warehouse. Every word of this was true in a sense, but it developed that the stock consisted of implements in use on the farm, the place of business was the farm yard, and the warehouse was the implement shed. The shipments had been taken from the depot by the parties for whom they were ordered.

You have no conception of the way retailers are annoyed. It is part of my mission here today to inform you, and the best way to do this is to outline specific cases which have come to the attention of your associations.

I was privileged last spring to read the correspondence which took place between a manufacturer's distributing house manager and a dealer in regard to a buggy shipment. Several letters were exchanged, and finally the manager dismissed the subject by stating that the job had been on the floor until it tired the eyes looking at it and he was glad to dispose of it at any price. The facts were, the buggy was in possession of the dealer when he filed the complaint with the branch house manager, he having taken it in on a trade for an automobile, and it was one of the factory's 1914 models and had never been taken out of the crate after leaving the factory. Now the president of the factory that made that job would not sanction such business methods for a minute, but he does not keep close enough tab on his manager who believes that his job depends on the volume of sales.

#### SOME CASES IN POINT.

Let me tell you something that occurred a short time ago. A dealer, who complained of a direct shipment to the user of an implement, was told that the shipper's system of good service compelled shipment first and investigation afterwards. A further explanation was made to the effect that when orders are received from grain dealers, blacksmiths, general store merchants, and others with a credit rating, they are referred to the credit department and if O. K'd. the shipments are hurried out; and if upon later investigation it is found that the party is not a dealer in implements they adjust it with some dealer. In other words, if no dealer objects to this lack of protection nothing is done, but if a vigorous protest is entered the investigation commences.

Here is another circumstance which will illustrate: Direct shipment of a vehicle was made to a small town. A branch house manager admitted making it and said that he had shipped the same

party three or four jobs and knew that he had sold them to his neighbors, but he stated that if the dealers there were not wide awake enough to see the advantage of selling his buggies he saw no reason why he should be shut out of that trade. In some unaccountable way the correspondence fell into the hands of the general manager at the home office. He wrote the secretary of the association for full particulars. Result—the branch house manager was seeking a new job. Here is what the general manager wrote the secretary: "In two weeks we will have our annual round up to our travelers, and I can assure you that none of them will go away from here without having acquired some knowledge as to whom we can sell and to whom we cannot sell, and there will be a severe penalty added for violation of our instructions." Such a letter sounds good to the dealer.

If you want to help the retail dealer you can remove the greatest obstacle to his success if you will instruct your sales managers, branch house managers and travelers that you will not countenance direct sales or sample shipments. Not only instruct them of your policy, but see that your instructions are complied with.

We do not consider that we have received the proper degree of protection when the manufacturer simply protects his agent to the extent of declining retail business in said agents' particular territory. Our interests as a class should be considered. We feel that the consumers' trade is ours. If every manufacturer were to insist upon the privilege of selling direct to users where he has no contract agent, what would become of our calling? Through the dealer is your most economical channel of distribution, and he will continue to be just as long as you assist in making his business profitable. He needs every encouragement you can give him. When you interfere with his business by making an occasional direct sale you simply contribute toward his downfall. He forgets all about the cost of doing business and offers his stock at any sacrifice, because he is discouraged.

As stated by a prominent writer upon this subject, it is simply a case of making a choice and abiding by it. If the manufacturer wishes to choose the consumers' trade and become a dealer as well as a manufacturer, let him do it. There is nothing dishonorable in such an act. But if he chooses the dealers' trade, let him remember it is the business of the class that he seeks, hence it is the interest of the class that he must protect. Any other policy carried to its logical conclusion means the absolute destruction of the retail system.

A manufacturer in his eagerness for representation in a town where he has never been able to get a foothold, made a sale direct to user and set up the claim, "We make a good line of goods and are entitled to representation at every good town." It is unfair to take this position. There are not enough dealers in even the most prosperous towns to represent all of the good lines of implements manufactured, and the manufacturer who assumes that he is entitled to representation, even though the field is covered, and sets about getting it with utter disregard of good trade ethics is inflicting injury upon the retail trade that is hard to overcome.

The claim is made by some that there are certain new goods in the implement line in which dealers will not become interested and that you must demonstrate their usefulness by selling direct to users. It is possible that there may be some such goods, but there is absolutely no excuse for selling such articles at a wholesale price. The

price set on such goods should be a retail price which contemplates the average cost of conducting the retail business. Then when the demand is established the dealers can take hold of the goods and sell at a price which affords a legitimate profit and remunerates them for service rendered.

Now, right in this connection let me ask, "When making such a sale would it not be better to deliver the article through some regularly established dealer who will receive it, set it up properly and render other service to you and to the customer?" For this service you can afford to pay a commission. By pursuing such a course you have made a friend of the dealer, convinced him of the merit and of demand for the article and paved the way for future business. You gain a worker for your goods, instead of a knocker. Dealers would prefer to have you make your deliveries of direct sales through their houses, rather than to ship direct to their customers even though there were not one cent of profit in the transaction for them. In making this statement, I am simply voicing the sentiment expressed in our conventions time and again.

There are some goods which the average dealer cannot afford to stock, but he is diligent in looking after prospective buyers for the same, and reports them to the manufacturer who sends special salesmen to close the sale. On this kind of business the dealer is entitled to a fair compensation, but too often the sale is made at a price which shuts the dealer out entirely, and he is told that it was a highly competitive deal and sale had to be made at a net wholesale price or not at all. Why is it that your special salesmen who handle this class of business are so free with the knife until they have eliminated the dealers' profits entirely? Why is it that the limit is established at a net wholesale price to dealers? Why not make the arbitrary price at a figure which would afford the dealer some profit so he will be encouraged to continue his efforts? The dealer does not relish being told that the deal was a highly competitive one, hence it was necessary in order to save it to give his profit away. These cases are not rare by any means; they are of everyday occurrence. If you were a retail dealer and had worked diligently to close a sale and had received this kind of treatment, what would you do?

#### THE TRADE PRESS.

I am not unmindful of the good work for our cause which has been done by the trade press. It has labored constantly for the upbuilding of our business. To these friends we are indebted in a large measure for what improvement has been made in conditions.

If I have been able to throw any light upon any of the subjects I have mentioned I trust you will give them some thought. What I have said comes from my intense interest in this work. We are, all of us, every year, coming to a fuller realization of our dependency upon one another and have learned that only by honest co-operation of all branches can real progress be made.

In conclusion, there is one thing in which we are more or less prone to err, that is in harping continually upon the evils of our business, instead of holding up to view its brighter side, but I have tried to bring some of our problems to your attention in such a light that some good may result. We can not hope to remedy these difficulties which



lie in our pathway to success without calling attention to them, and for this privilege of presenting to you some of the great problems which are ever present in the retail business, I wish on behalf of the constituency, which I represent, to thank you.

## EXHIBIT 32.

**RESOLUTIONS ADOPTED BY THE NATIONAL IMPLEMENT & VEHICLE ASSOCIATION AT THE ANNUAL CONVENTION HELD OCTOBER 21, 22, AND 23, 1914.<sup>1</sup>**

Your committee on resolutions begs leave unanimously to report as follows:

## STIMULATION OF DOMESTIC TRADE.

Whereas, The National Implement and Vehicle Association, through its members and representatives, has such relations with agricultural affairs in America as to afford it a clear and accurate knowledge of general business conditions in the agricultural field; and

Whereas, We believe that the agricultural communities of America and the bankers who serve them were never in a more secure position than today, nor one that promised more if present opportunities were embraced;

Whereas, Because of the great European war now in progress, it became necessary to take certain protective steps to insure this country against some of the evil financial effects threatened by such war, which steps, so taken, have operated as a partial financial suffocation in this country; and

Whereas, We believe that the present need of the country is to restore confidence at home and put the nation's unemployed back on the pay roll; and believing the American banker, as the advisor of commerce and the counsellor of rural communities, holds the key to the situation; and believing he can lead the way to a resumption of industry through bringing home to the American farmer the responsibility imposed upon him to help feed the nations of Europe and that by so doing, and by recognizing his own opportunities and obligations in the matter, he may set the wheels of industry and commerce in motion, to establish credit confidence and beget courage; now, therefore, be it

*Resolved*, That we earnestly make the following recommendations:

(1) Urge the farmer who has harvested his grain not to speculate on the fluctuation of future prices.

(2) Recommend to the farmer of the south to diversify his crops. Experience has shown that a one crop country cannot continue to bring prosperity to its farmers. The great wheat states of the Dakotas are diversifying. Our cotton states should do likewise.

(3) Preach preparedness for the 1915 harvest. Care in seed selection, proper tillage and cultivation will bring increased crops to meet the increased demands. More intensive cultivation quite as much as increased acreage will bring prosperity to the farmers.

(4) Increase the number of farms raising stock and thereby secure a natural fertilizer for the soil. Cattle, hogs and poultry mean ready money and bank accounts.

<sup>1</sup> As reported in the Farm Implement News, October 22, 1914, pp. 33-34.

(5) Secure for the agricultural community the benefits provided in the new currency law by creating a demand for the early opening of the various federal reserve banks.

(6) Discourage all speculation, but encourage the expansion of legitimate business in the rural communities by reasonable extension of credit.

In this connection we reiterate that, we enthusiastically endorse the effective efforts of the secretary of the United States' Department of Agriculture and the various state agricultural departments towards promoting the welfare of our agricultural interests by acquainting the farmers with the most practicable methods of intensive farming, and by various means stimulating a beneficial rivalry in crop production as well as in many other ways.

#### STANDARDIZATION OF PRODUCTS AND EQUIPMENT.

Whereas, The multiplicity of variety and styles renders the manufacturing economy difficult, and believing that both we and our customers are jointly responsible for this excess, and

Whereas, At a recent conference with the representatives of the dealers in our lines we found a strong co-operative spirit to exist, be it

*Resolved*, That those manufacturing the various lines represented by this association immediately investigate conditions regarding this multiplicity of sizes and styles and immediately begin a practical effort to ascertain how far variety may be reduced to the benefit of manufacturer, dealer and consumer, yet not interfere with furnishing the best practical equipment.

#### COST EDUCATION AND DEALERS' LOCAL CLUBS.

Whereas, Our executive board in reviewing the work of cost education and dealers' local clubs has heartily endorsed its continuance and renewed our pledge of financial support, therefore be it

*Resolved*, That we approve the action of our executive board and pledge our moral and financial support to a greater degree than ever before in the work to be undertaken for the ensuing year. We also strongly urge the active and practical co-operation of the sales forces of our members who occupy a peculiarly advantageous position in their relations with the dealers and can render effective service in this undertaking.

#### UNIFORM PROPERTY STATEMENT.

Whereas, Realizing the difficulties in obtaining authentic credit information relative to a customer's standing, and believing that he himself can best render this information,

*Resolved*, That we heartily endorse the efforts of our credits and collections committee in the preparation of a uniform property statement whereby it will be possible for the dealer to render his creditor desirable information concerning his standing accurately and without unusual demand upon his time. We believe also that the use of such statement will acquaint him more frequently with his own condition and thereby prove a mutual benefit. We recommend that when the form under consideration has been approved by the credits and collections committee and our executive board, that all members make use of it at the earliest date possible thereafter.

## LEGISLATION.

*Resolved*, That this association, through its several committees, and as a matter of practical importance, continue the policy, as the necessity arises, of appearing personally, either before Congress or the various state legislatures, as the case may be, and expressing properly its attitude regarding legislation that may be pending, that seriously affects the interests of its membership.

## TRADE COMMISSION ACT.

*Resolved*, That we heartily endorse the general character of the law recently enacted by Congress, creating the Federal Trade Commission, and charging it with the general supervision of all interstate and foreign commerce, except banks and common carriers.

## CLAYTON ACT.

*Resolved*, That we are unalterably opposed to the unfair provisions of the Clayton act, which exempts certain elements of the country's business and commercial life from all criminal liability under the federal anti-trust laws, in addition to promoting industrial strife by legalizing such reprehensible acts as picketing and boycotting.

## MISCELLANEOUS.

*Resolved*, That we extend thanks and appreciation to the retiring officers and members of committees for the substantial results secured, and for their liberal donation of time and thought to association problems.

*Resolved*, That we extend to the management of the Congress hotel and Annex our appreciation of their efforts to make the convention a success, and for the careful consideration shown our members and their guests.

*Resolved*, That we extend to the trade press our sincere thanks for their cordial co-operation during the past year, and in connection with the reporting of our convention.

*Resolved*, That the Auxiliary of our associate members be apprised of our hearty thanks for their very generous and liberal entertainment.

*Resolved*, That the speakers who have contributed so much to the success of our convention during the business session and banquet, be informed of our deep appreciation and gratitude.

*Resolved*, That we desire to express our appreciation of the address of H. J. Hodge, secretary of the National Federation of Implement and Vehicle Dealers' Associations, and thank him for the many valuable suggestions he gave us.

## RECOMMENDATIONS BY RESOLUTIONS COMMITTEE.

The resolutions committee also offered the following recommendations on subjects which, in the opinion of the committee, should be acted upon by the convention. All of these recommendations were approved by unanimous vote:

## DEALERS' OPENINGS, SPECIAL SALE DAYS AND DONATIONS.

Whereas, Commendable progress has been made in eliminating dealers' openings, special sales days, auction sales and donations, which were declared matters of unwarranted expense, both by our sales managers' department and dealers' associations, and

Whereas, Completing this effort will depend on the continuation of the same educational methods which have thus far proved so successful, therefore be it

*Resolved*, That we re-affirm our opposition to these forms of expense and that our members be requested to inform their sales forces with instructions that these wasteful items of expense be discontinued; and be it further

*Resolved*, That to the end that we may have the co-operation of our dealer customers, our secretary be requested to mail a copy of this resolution to the secretaries of the several retail dealers' associations, thanking them for their past efforts and soliciting a continuance of their endeavors in this movement.

## ATTENDANCE AT SALES MANAGERS' MEETINGS.

Whereas, The Sales Managers' Department is thoroughly investigating all problems which affect the marketing of our product and have applied timely suggestions and suitable remedies as well as having had such a beneficial effect upon our mutual relationship with the retail trade, and

Whereas, Questions involving many economies, trade difficulties and better business methods are of the utmost importance to all of us, therefore be it

*Resolved*, That all active memberships of our association see to it that they have a representative in attendance at each of the five meetings held annually and co-operate in this valuable work.

## CAR STOPPING PRIVILEGE.

Whereas, It is understood that the railroad companies are about to discontinue the practice of stopping cars in transit to finish loading and to partly unload, and

Whereas, We believe such a move will be seriously detrimental to the interests of the shippers and general public, therefore be it

*Resolved*, That we earnestly object to this movement, and hereby urgently request the railroad companies to continue the said practice heretofore existing to the great advantage of all concerned.

## STATE LEGISLATION.

While opposed to professional lobbying, the association earnestly urges the membership in the different states to assist the state committeemen of the state legislation committee in each state by presenting objections or making suggestions to the various committees to whom bills are referred, in a dignified and honorable way, either by personal representation, or by letter, or both endorsed by our members.

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